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Prime Minister Rajiv Gandhi addresses a crowd of 200,000 in New Delhi at a memorial rally for his mother, Indira.

Gandhi Sees Conspiracy In Death of His Mother

By William Claiborne
Washington Post Service

NEW DELHI — Prime Minister Rajiv Gandhi, charging that his mother was the victim of a foreign-linked conspiracy, said Monday that Indira Gandhi's assassination should be avenged, not in anger but through efforts to unify a strong and modern India.

In his first appearance at a public rally since being sworn in as prime minister Oct. 31, Mr. Gandhi said the assassination was "not to remove just one person, but to shatter the stability of the country."

Returning to the same theme twice again in a brief speech at an outdoor rally here to commemorate Mrs. Gandhi's 67th birthday, the prime minister said, "We are seeing that there was a conspiracy behind Mrs. Gandhi's assassination and there were certain elements active in foreign countries."

And he added, "We have to find the origins of this conspiracy. We'll have to see from where they're getting their support."

Mr. Gandhi offered no specifics about the source of a conspiracy, but he said that the expectations of those who had wished Indian unity to unravel in the aftermath of the assassination had been denied their aim.

While the Indian press has presented a flurry of mostly speculative and unsubstantiated or undocumented conspiracy theories since the assassination, some of which have been denied by the government, no official has publicly offered anything beyond general insinuations that Sikh separatists living abroad were involved. Mrs. Gandhi was shot to death in the garden of her home by two Sikh security guards Oct. 31.

"We must avenge her death," Mr. Gandhi said. Before he could continue, a ripple of applause quickly grew into a vociferous expression of approval by the crowd of approximately 200,000. Mr. Gandhi hastened to add, "Not in anger, but by working hard to keep the country together."

Alluding to the anti-Sikh riots following the assassination, which left at least 1,500 people dead, Mr. Gandhi said, "When a large tree falls, the earth shakes." But, he

added, "The world can see and is seeing that India is independent and strong. We must see that the work of Jawaharlal Nehru and Indira Gandhi is completed." Mr. Nehru was Mrs. Gandhi's father and India's first prime minister.

Repeatedly during the memorial, which was, in effect, his first campaign rally, Mr. Gandhi also invoked the memory of Mohandas K. Gandhi, the leader of the Indian independence movement, who was not a relation.

"When a person rises to her stature," Mr. Gandhi said of his mother, "she doesn't leave us. Like Mahatma Gandhi, who was shot 36 years ago and whose ideals are still alive and he is still alive. Similarly,

(Continued on Page 2, Col. 7)

UN Diplomat From Turkey Is Murdered In Vienna

Reuters

VIENNA — A Turkish diplomat was killed Monday in central Vienna by a gunman who fired six shots into the victim's car. The killer threw a cloth over the body bearing the name of an Armenian organization.

Police said Evner Ergun, 52, an employee of the United Nations here since 1979, was killed instantly when the hooded gunman fired the shots into his car.

Mr. Ergun, who was married with one son, was waiting at a red light at a busy street that crosses Vienna's elegant Ringstrasse, the city's main traffic artery.

A police spokesman said the gunman leaped through the shattered car window and draped a white cloth over the body with the words "Armenian Revolutionary Army — ARA" printed in blue ink.

The group also claimed responsibility for a car bomb blast in Vienna in June that killed a Turkish diplomat and seriously injured an Armenian policeman.

Armenian extremists, who accuse Turkey of massacring hundreds of thousands of their people in 1915, have claimed responsibility in the last decade for killing more than 30 Turks around the world, mainly diplomats and their relatives.

Turkey denies the massacre charge. In Rome, an anonymous caller to a foreign news agency, speaking in heavily accented English, said the Armenian group was responsible.

He said, "The Armenian Revolutionary Army is responsible for the attack against Turkish diplomat Evner Ergun in Vienna this morning."

"We declare that we will continue our attacks against representatives of the criminal Turkish state inside and outside Turkey," he said. "We will strike again soon."

Witnesses described the gunman as about 30 years old, of medium height, dark-skinned, with a moustache and wearing a blue knitted hat that covered his head and neck.

Walter Liebhart, head of Vienna's state police, said: "It was obviously a crime planned a long time in advance. It seems someone knew the route which Ergun took each day and was waiting for him."

A UN spokesman said the dead man was the deputy director of the center for Social Development and Humanitarian Affairs, and had lived in Vienna since 1979.

Mr. Liebhart said no threatening messages had been received at the Turkish Embassy before the killing.

In Ankara, the Turkish Foreign Ministry called on Austria to take immediate action to find those who killed Mr. Ergun.

Return of Miners Continues

2,200 Reported Back in U.K.; Violence Erupts

The Associated Press
LONDON — More than 2,200 miners deserted the British coal strike Monday, the biggest number to return to work in a single day in the eight months of the walkout, management reported.

Officials of the state-owned National Coal Board hailed the figures as showing a gradual return to sanity in the coal fields.

The reported return to work was accompanied by new violence at the mine gates as pickets set fire to barricades, poured oil over roads and demolished £100,000 (\$125,000) in computer equipment at an industry research center.

Michael Eaton, chief spokesman for the coal board, said the rate at which miners were returning was accelerating and was bearing out his prediction that the majority of Britain's 190,000 mine workers would be back on the job by Christmas.

Asked in a radio interview whether the strike against planned mine closures had been broken, Mr. Eaton said: "I do not like to use the word broken. This is not the intention. The men are returning to work through despair."

He said nearly 63,000 miners were now defying the strike. The board is predicting that about 7,000 will have abandoned the strike by the end of this week, the largest number since the walkout began March 12.

Arthur Scargill, president of the National Union of Mineworkers, accused the coal board of lying. "The board has been predicting a surge in the return to work figures since March. Of course it has not happened," he said just 50,000 miners were working.

As the strike entered its 37th week, police reported that pickets had invaded the coal board's National Exploration Unit at Doncaster in northern England and smashed computer screens, thrown typewriters through windows and turned on a fire hose.

In South Yorkshire, pickets threw rocks at police and built barricades to deter strikebreakers outside coal board workshops at Elsecar near Barnsley.

South Yorkshire police said that elsewhere in their area, oil was poured on a road, a dump truck set on fire and a railroad crossing at Dodsborough barred when its gates were lowered by someone who broke into a signal box.

At Ellington Colliery in Northumberland, northeast England, John Cunningham, 59, union secretary at the mine, was among those returning to work.

He and about 200 other men were bused into the pit in five coaches. Outside, pickets, including his son, John Jr., shouted "Scab!"

"It's a very sad day," said the younger Mr. Cunningham, 29. "I won't be speaking to him again."

Earlier, the elder Mr. Cunningham, his home under police guard, said, "I felt it was in the best interests of the union and of the future of the pit if we go back now."

On Sunday, strike leaders acknowledged receiving more than \$1 million in aid from the Soviet Union.

The Conservative government accused the miners' union of doing Moscow's bidding by keeping up the strike and disrupting Britain's economy.

The Sunday Times of London said Mr. Scargill went to the Soviet Embassy in London on Thursday for a four-hour meeting, that he held talks at the embassy Oct. 12 and that his aides went to the mission on Oct. 16, 26 and 29.



Garret FitzGerald and Margaret Thatcher at the start of their summit meeting Monday.

Thatcher Reports 'Fullest' Irish Talks But Says No Problems Were Resolved

The Associated Press

LONDON — Prime Minister Margaret Thatcher said Monday she had the "fullest, frankest and most realistic" meeting ever with Prime Minister Garret FitzGerald of Ireland. But she said no decisions had been made on resolving the problems in Northern Ireland.

The two leaders decided to meet again early next year, Mrs. Thatcher said at a news conference.

"We have completed, I think, the fullest, frankest and most realistic bilateral meeting I've ever had" with Mr. FitzGerald, she said after talks at her residence west of London.

But Mrs. Thatcher said that, after two days of talks, "We have not in fact come to decisions."

"We had a very full and constructive discussion and we've agreed to meet again in the early months of next year to take stock of progress and to pursue our shared aim of lasting peace and stability in Northern Ireland."

The meeting, originally scheduled for Dublin, was switched to Britain after the Oct. 12 bombing of a hotel in Brighton by the Irish Republican Army.

Five people were killed and 31 injured in an attempt to wipe out the British cabinet during the annual convention of the governing Conservative Party. Mrs. Thatcher escaped unhurt.

A communiqué issued after the meeting Monday said "any attempt to promote political objectives by means of violence or the threat of violence must be rejected, as must those who adopt or support such methods."

The statement also said cooperation between the two governments "in matters of security should be

maintained and where possible improved."

Mrs. Thatcher declined to give much elaboration on the communiqué.

Mr. FitzGerald flew to London on Sunday and was driven in a convoy of cars and motorcycles to Chequers, west of London, for a working dinner. Formal talks began Monday, a spokeswoman for Mrs. Thatcher's office said.

The IRA said the change of the meeting's location was "just one small effect" of the Brighton bombing. It threatened new attacks because "the language of force" was the only one the British understood.

In a statement sent to news organizations in Belfast, it also accused Mr. FitzGerald of preparing to abandon the republic of Ireland's historical claim to the north



Lebanon, Israel Report Progress in Talks

Brigadier General Mohammed Al Hajj of Lebanon was surrounded by reporters Monday at the third round of negotiations between Israeli and Lebanese officers in southern Lebanon. A spokesman for the Israelis said "an understanding is being established" and a spokesman for Lebanon said, "The Israelis are talking about real progress and practical issues."

Discovery May Give Computers Vast New Abilities

By James Gleick
New York Times Service

NEW YORK — A 28-year-old Indian mathematician at AT&T Bell Laboratories has made a startling theoretical breakthrough in the solving of systems of equations that often grow too vast and complex for the most powerful computers.

The discovery, which is to be formally published next month, is already circulating rapidly through the mathematical world. It has set off a deluge of inquiries from brokerage houses, oil companies and airlines, industries with millions of dollars at stake in problems known as linear programming.

These problems are fiendishly complicated systems, often with thousands of variables. They arise

in a variety of commercial and government applications ranging from allocating time on a communications satellite to routing millions of telephone calls over long distances, or whenever time must be allocated most efficiently among competing users. Investment companies use them to devise portfolios with the best mix of stocks and bonds.

The Bell Labs mathematician, Dr. Narendra Karmarkar, has devised a radically new procedure that may speed the routine handling of such problems by businesses and government agencies and also make it possible to tackle problems that are now far out of reach. It also has potential as a tool for war games and other military problems.

"Science has its moments of great progress, and this may well be one of them," said Dr. Ronald L. Graham, director of mathematical sciences for Bell Labs in Murray Hill, New Jersey.

Because problems in linear programming can have billions or more possible answers, even high-speed computers cannot check every one. So computers must use a special procedure, an algorithm, to examine a few answers as possible before finding the best one — typically the one that minimizes cost or maximizes efficiency.

A procedure devised in 1947, the simplex method, is now used for such problems, usually in the form of highly refined computer codes sold by the International Business Machines Corp. among others.

The new Karmarkar approach exists so far only in rougher computer code. But those who have tested the early versions at Bell Labs say that it already appears many times faster than the simplex method, and the advantage grows rapidly with more complicated problems.

Mathematicians visualize such problems as complex geometric solids with millions or billions of facets. Each corner of such a facet represents a possible solution. The task of the algorithm is to find the best solution without having to calculate the location of every one.

The simplex method, devised by George B. Dantzig, a mathematician, in 1947, in effect runs along the edges of the solid, checking out corner after corner but always (Continued on Page 2, Col. 5)

Arms Sale Talks Are Called Link In Chad Pullout

By John Vinocur
New York Times Service

PARIS — Western diplomats said Monday that Libya and France discussed an arms sale as part of the now-collapsed arrangements that were to have led to a withdrawal of Libyan troops from Chad.

The diplomats, representing different countries, said that the possible sale of French arms to Libya was believed to have been raised as part of a package that France had worked out to secure Libya's departure from the former French African colony.

The arrangements, they said, included acceptance by France of a meeting between President François Mitterrand and Colonel Mouammar Qadhafi, who regarded such an encounter as helpful in gaining international prestige.

This meeting and the French withdrawal took place on schedule, but Libyan troops have remained in Chad, causing embarrassment to Mr. Mitterrand and unusually intense criticism of his policies in the French press.

In the Chad capital of Ndjamena, France's defense minister, Charles Hernu, had a two-hour meeting with Chad's president, Hissène Habré, on Monday. Chad sources said the talks focused on possible French military action if

Libya failed to withdraw its remaining troops from the country. Reuters reported from Ndjamena.

[Mr. Hernu, who flew to Chad on Sunday with the French Army chief of staff, General Jean-Louis Leca, refused to say what was discussed as he left the meeting. He said he hoped to meet Mr. Habré again before leaving but gave no date for his departure.]

One of the diplomats in Paris said the Libyans had given the French a list containing "lots of sophisticated" weapons that they were interested in buying. The discussions, he said, were "in the early talk and baiting-the-hook" stage. A second diplomat said the Libyans expressed interest in French aircraft. There was no clear indication, however, if the French promised anything more than to listen to the Libyan requests.

The talk of an arms sale, according to the diplomats, could serve as a partial explanation of why France suppressed information received from its own military intelligence service about the continuing Libyan presence in Chad while France was completing the withdrawal of its own forces.

France has said there are two to three Libyan battalions, or as many as 1,200 men, still in the country. But on Monday, Chad's foreign minister, Goussou Llassou, asserted that 4,000 to 5,000 Libyan troops remained in Chad.

Talking on a radio program in Paris, Mr. Llassou said, "Qadhafi hasn't taken any soldiers out of Chad, but instead has reinforced his units. We think that he will attack our positions in the coming days." He added: "It's necessary to fight, and it's necessary to get Libya out of Chad."

"We've always told our friends that Colonel Qadhafi understands only one language, that of force. We've always said that just because someone draws a line and tells Qadhafi 'don't you cross it,' that doesn't mean that he's going to be intimidated."

The French news agency, Agence France-Presse, reported that 250 French troops stationed in the Central African Republic were on alert to return to Chad, but French officials discounted reports saying that Libya had been given a specific three- to four-day deadline for removing its forces.

The diplomats said that the 3,200 French troops deployed in Chad for more than a year had left large quantities of materiel in Ndjamena to facilitate a possible return. The force entered Chad at the request of Chad's government in August 1983, when Libyan troops took positions in the north of the country in support of anti-government insurgents.

The French went to Chad's assistance largely at the urging of the leaders of French-speaking West African countries who considered Libya's domination of Chad or continuing presence there as a threat to their countries' stability.

Qadhafi 'Committed' to Pact

Colonel Qadhafi said Monday that he was committed to his agreement with France to withdraw his troops from Chad. Reuters reported from Valletta, Malta.

"I am totally committed to the agreement on Chad," Colonel Qadhafi said. The Libyan leader arrived in Malta during the weekend on an unannounced visit. "Libya will not in the future fight in Chad with tanks and aircraft. Libya would only go in if another country went in."

In Paris, a military source said 1,100 French troops based in the Central African Republic were ready to intervene in Chad if the remaining Libyan forces in the north of the country did not leave.

Yasser Arafat
Royal Dutch Airlines



Yasser Arafat
Royal Dutch Airlines

PLO May Be Heading for Formal Split; Some See Improved Peace Prospects



Sayed Musa

By Judith Miller
New York Times Service
CAIRO — The Palestine Liberation Organization, the unruly coalition of Palestinian groups that has weathered 20 years of internal strife and military setbacks, may be headed for the first formal split in its ranks.

Palestinians say this could bring the division into two or possibly more factions of the single umbrella group that has claimed to represent the aspirations of Palestinians in Israeli-occupied territory and elsewhere since its creation in 1964.

Such a split would dramatically alter the organization. But some people have argued that a formal division might enhance prospects for Middle East peace talks.

"We faced countless crises before, but this is a real turning point in the movement's history," said a senior PLO leader. Like most of a dozen Palestinians and Middle East experts interviewed, he requested anonymity.

Immediately at issue is whether Yasser Arafat, chairman of the PLO, will convene the long-delayed 17th session of the Palestine National Council, the PLO's unofficial parliament in exile, on Nov. 22.

The PLO has been deeply but informally split since a group of Palestinian guerrillas broke

away 18 months ago from el-Fatah, Mr. Arafat's own group and the largest one in the PLO. The rebel faction drove Mr. Arafat from Tripoli, his last stronghold in Lebanon, in December. It accused him and other PLO leaders of high living, toying with compromise peace plans and dictatorial rule.

The PLO has basically divided into groups

The PLO From Crisis to Crisis

First of three articles

holding two positions. One favors Mr. Arafat as leader and his recent strategy of battling Israel through diplomatic channels. The other, composed of groups largely backed by Syria, opposes his leadership, compromise peace plans and all paths other than armed struggle with Israel to win Palestinian rights.

The National Alliance of guerrillas backed by Syria and Libya has taken Damascus. It includes the rebel faction led by Sayed Musa, whose code-name is Abu Musab, which broke away from Fatah in May 1983; Sa'ida, the Palestinian branch of the Baath Party in Syria; the

Popular Front for the Liberation of Palestine-General Command, which is headed by a former Syrian Army captain, Ahmed Jibril; and the Popular Struggle Front.

In recent months, a third faction, the Democratic Alliance, has emerged. It is based in Damascus, but its main support comes from South Yemen and Algeria.

Its key members are the Popular Front for the Liberation of Palestine, led by George Habash, and the Democratic Front for the Liberation of Palestine, the pro-Soviet group led by Nayef Hawatmeh. Both have previously ruled out peace talks and compromise with Israel.

They are also harsh critics of Mr. Arafat. But in the current struggle they have tried to take a middle ground to heal the rift between the rebels and Mr. Arafat and prevent a formal split in the PLO.

In July the Democratic Alliance and Mr. Arafat's forces reached a compromise agreement at a meeting in Aden, South Yemen, to clear the way for convening the Palestine National Council.

The Aden agreement provided that Mr. Arafat would remain as leader of the PLO until the council met and reaffirmed his status or selected a new leader. In exchange, Mr. Arafat agreed to

(Continued on Page 4, Col. 3)

INSIDE



George D. Aiken, the former senator from Vermont, died at 92. Page 5.

■ Fidel Castro acts impulsively and often mistakenly in managing Cuba's domestic affairs. Page 2.

BUSINESS/FINANCE

■ Personal income in the United States rose 0.6 percent last month while consumer spending fell 0.1 percent. Page 13.

SPECIAL REPORT

■ The debt crisis has brought hard times and tough decisions on economic structure in Latin America. Latin American Trade. Page 9.

Defector to U.S. Says Castro Often Acts Without Reflecting

By Leslie Maitland-Werner
New York Times Service

NEW YORK — A Cuban defector whose position, according to U.S. authorities, gave him entrée to high-level government meetings in Havana, says that Fidel Castro's style of leadership in domestic affairs is personal, impulsive and at times intrusive.

The characterization of the Cuban leader came from José Luis Llovio Menéndez, who before his defection served as chief adviser to the head of Cuba's State Committee for Finance from 1977 to 1980 and as chief adviser to the minister of culture from 1980 to 1982.

He was described by officials in Washington knowledgeable about his case as one of the highest-ranking members of Mr. Castro's government to defect. Mr. Llovio said he was mainly involved in domestic matters and attended many meetings with Mr. Castro.

Mr. Llovio said that he first moved to defect in Montreal in late 1981, and succeeded in obtaining a U.S. visa in 1982. On Friday, he revealed his presence publicly in the United States, explaining to a group of reporters that he and his wife had been granted asylum last month.

U.S. authorities said they were not involved with Mr. Llovio's decision to seek publicity.

Copenhagen Mermaid Harpooned in Protest

United Press International
COPENHAGEN — Copenhagen's bronze harbor mermaid was harpooned in the chest Monday, and Greenpeace environmentalists protesting a recent U.S.-Japanese pact on whale hunting briefly occupied the Japanese Embassy.

There was no immediate estimate of damage to the statue.

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Mr. Llovio, who is 48 years old, declined to say exactly where he was living in the United States. He said he was writing his memoirs, which he hoped to publish. This appeared to be the main reason for his interest now in publicity.

During a three-hour interview in New York, Mr. Llovio said he was convinced that Mr. Castro has almost obsessive hatred of the United States and that there is little hope for improved relations as long as he is in power.

"Fidel hates totally the United States of America," Mr. Llovio said. "He hates its institutions. He hates its policies. He hates everybody here. He speaks of the United States of America in the lowest terms you can imagine."

He said that the U.S. economic embargo of Cuba "has no weight" because Cuba can buy U.S. technology from other countries such as Japan, France and Spain.

In addition to positions in the finance and culture ministries, he said he was also entrusted by state security with covertly investigating official corruption. But when unearthed, he said, official wrongdoing was rarely, if ever, punished.

In February 1977, he was named chief adviser to the head of the State Committee for Finance, and given 12 Soviet advisers who spoke no Spanish. "They handle all the budget, all the money," he said.

Life for Cuban government officials, and the "revolutionary bourgeoisie," he said, was comfortable. He said that while he was in the government he was provided with a two-bedroom, two-bathroom apartment with a terrace, a car and chauffeur and ample spending money.

He asserted that the general population in Cuba has grown lazy. A study by the Agriculture Ministry in the 1970s, he said, found that farm workers worked less than four hours a day, which he said was typical of workers in other areas as well.

Mr. Castro, he said, routinely became involved in the most detailed decisions. Mr. Llovio gave numerous examples of situations in which having seized upon an idea, Mr. Castro failed to consider practical realities that made his plans unworkable. And his advisers, Mr.

Llovio said, did not dare contradict him.

He said that when Mr. Castro decided to plant 110 million coffee trees like "a green belt" around Havana, the Cuban leader failed to consider what growing conditions the plants would require.

"The whole of Havana went to plant trees," Mr. Llovio said. "But around Havana is rock, not soil. Of 110 million, only 15 million survive."

In 1974, Mr. Llovio asserted, Mr. Castro decided to invest money from a booming Cuban sugar market in buying caramel factories. But the cost of English spare parts for the machines made the whole project economically impossible, he said, and the factories had to be sold.

Mr. Llovio said he arrived in the United States on Jan. 23, 1983, but said that he insisted on secrecy until now and resisted providing information to U.S. intelligence authorities because "I wanted political asylum before speaking out."

Mr. Llovio said that he made his way out of Cuba in December 1981 when, returning to Cuba with his wife from a trip to Czechoslovakia, his plane stopped to refuel in Montreal and he asked for protection.

Mr. Llovio detailed how, beginning from his days as a student revolutionary seeking the violent overthrow of the Batista government, he had become disappointed by Mr. Castro's failure to bring democracy to Cuba after he seized control in 1959.

The goal of Cuban foreign policy, Mr. Llovio maintained, is "to make a lot of Cubans everywhere." "They want Nicaragua and El Salvador," he said. "After that, Honduras and Guatemala, you can be sure."

Arms for Rebels
Mr. Castro has been financing arms purchases by El Salvador's guerrillas on the black market in the United States and elsewhere, The Washington Post quoted Mr. Llovio as saying.

Mr. Llovio said Mr. Castro was too slow to risk direct shipments of arms or to send advisers into El Salvador.

"He has other ways to fight the Americans. When he had to have gun machines for El Salvador, he gave money and they buy it on the black market here in the United States."

Mr. Llovio said he was sure that when he left in 1981, Cuba had been supplying Salvadoran guerrillas with money to buy U.S. and other Western arms, using the Interior Ministry's "exterior expenses" budget.



Rescuers carrying the wounded from the area of gas explosions in Mexico City.

80 Killed in Mexico City Gas Blasts

The Associated Press

MEXICO CITY — More than 80 persons were killed and more than 550 seriously injured Monday after a series of explosions at a natural gas processing complex set off a fire in a suburb of the Mexican capital, the authorities said.

Governor Alfredo del Mazo of Mexico state said on television that "a little more than 80 people have perished and more than 300 were injured."

Red Cross and police rescue workers, setting up first aid facilities in a subway station and a church in the poor, crowded city of Tlalpan, said at least 550 people had been treated for serious injuries.

At midmorning, rescue officials were evacuating thousands of residents, some in city buses and some in school buses, because they feared flames could ignite a central storage tank containing millions of gallons of liquefied gas belonging to the state petroleum monopoly, PEMEX.

Witnesses reported the fires broke out immediately after one explosion was followed by perhaps a dozen others. The first, which sent plumes of smoke rising a mile into the air, were still burning four hours after the first explosions.

The explosions began at 5:42 A.M. "It felt as if there was an earthquake; it shook the earth and then a huge flame shot up," a resident told the television network.

Egypt, Libya Return to War of Words

Reuters

CAIRO — A weekend intelligence coup by Egypt against Libya was quickly followed Monday by the resumption of a war of words between the two countries. The change signified the end of a tacit three-year truce.

Colonel Moamer Qadhafi, the Libyan leader who was branded "an international terrorist" Sunday by President Hosni Mubarak of Egypt, was denounced Monday in the Egyptian press.

The authoritative daily Al-Ahram called in an editorial for joint Arab action to check what it called Colonel Qadhafi's wildness and said Egypt had long warned that he was "a mad, bloodthirsty leader who behaves like a criminal."

Egypt said Saturday that it had caught two Britons and two Maltese who had been paid by Libya to kill Abdel Hamid Bakoussi, a former Libyan prime minister.

Cairo said it tricked Tripoli into believing the mission had succeeded. Libya, in its first direct reply to the Egyptian report, said Monday that President Mubarak was involved in an American terrorist plot by protecting stray dogs which the Libyan

people have decided to pursue and liquidate."

JANA said Mr. Mubarak had "bragged about his role, not as a self-respecting head of state, but as a cunning intelligence officer."

Ahmed Rushdi, the Egyptian interior minister, said Sunday that security forces had been ordered on alert for any possible Libyan reprisals after Saturday's announcement that Egypt had foiled a plot to kill Mr. Bakoussi.

Mr. Mubarak, after taking office in 1981 after the assassination of President Anwar Sadat by Muslim extremists, ordered a halt to all attacks by the press and government-owned radio on Egypt's Arab critics.

But terms such as "lunatic," "hypocrite" and "political dwarf," used previously to describe Colonel Qadhafi, were again being used Monday by Egyptian news organizations.

Discovery May Let Computers Solve More Complex Problems

(Continued from Page 1)
heading in the direction of the best solution. In practice it usually manages to get there efficiently enough for most problems, as long as the number of variables is no more than 15,000 or 20,000.

The Karmarkar algorithm, by contrast, takes a giant short cut, plunging through the middle of the solid. After selecting an arbitrary interior point, the algorithm works the entire structure in a way designed to bring the chosen point exactly into the center. The next step is to find a new point in the direction of the best solution and to warp the structure again, bringing the new point into the center.

The repeated transformations, based on a technique known as projective geometry, lead rapidly to the best answer. Computer scientists who have examined the method describe it as ingenious.

American Airlines, among others, has begun working with Mr. Karmarkar to see whether his technique will speed their handling of linear programming problems, from the scheduling of flight crews to the planning of fuel loads.

The Exxon Corp. uses linear programming for a variety of applications, such as deciding how to

spread its crude oil among refineries. It is one of several oil companies studying the Karmarkar algorithm.

If Mr. Karmarkar's procedure performs as well as expected, it may be applied to problems that are left unsolved now because they are too big and too complex to tackle with the simplex method.

For example, American Telephone & Telegraph Co. believes the discovery may provide a new approach to the problem of routing long-distance telephone calls through hundreds or thousands of cities with maximum efficiency.

Valuable though it may be, the Karmarkar algorithm may not be saleable in itself. An algorithm cannot be patented or copyrighted, although specific computer code can be. Bell Labs is one of several companies that are working on putting it into code.

Mr. Karmarkar was born in Gwalior, India, and grew up in Poona, near Bombay. He joined Bell Labs last year after attending the California Institute of Technology at Pasadena and getting his doctorate from the University of California at Berkeley.

Many mathematicians interested in the theory of computer science have long been dissatisfied with the simplex method, despite its enormous practical success. This is because the program performs poorly on problems designed specifically to test its weaknesses, so-called worst-case problems.

Five years ago, a group of Soviet mathematicians devised a new algorithm, the ellipsoid method, that handled those worst-case problems far better than the simplex method. It was a theoretical advance, but the ellipsoid had little practical significance because its average performance was not much better than its worst-case performance.

The Soviet discovery, however, stimulated a burst of activity on the problem and led to Mr. Karmarkar's breakthrough.

U.S. Abortion Clinics Bombed

United Press International
WHEATON, Maryland — Bombs extensively damaged two abortion clinics, one the scene of a weekend anti-abortion protest, in the suburbs of Washington, D.C., early Monday.

WORLD BRIEFS

'Flights' Over Honduras Baffle Aides

TEGUCIGALPA, Honduras (NYT) — U.S. and Honduran military officials are trying to explain what appears to be a series of incursions by unidentified aircraft into Honduran airspace from the direction of the Nicaraguan border.

The flights have been detected by the U.S. radar station at Cerro la Mota near Tegucigalpa at least three times since Nov. 3. But search teams sent to investigate the incidents and question rural residents have found no sign of flights.

Some officials speculated that someone had smuggled equipment into Honduras capable of creating false radar signals, perhaps in an effort to diminish confidence in the U.S. station. Another possibility discussed was that Nicaraguan forces were entering Honduran airspace, either to test the radar capacity or to drop supplies in preparation for an assault from the rear on anti-Sandinist guerrillas.

UN Agency Confirms Polish Pullout

GENEVA (AP) — Poland has given formal notice of its withdrawal from the International Labor Organization to protest what it called "the escalation of anti-Polish actions" in the United Nations agency, the ILO confirmed Monday.

Francis Blanchard, the ILO director-general, released the text of the Polish notice and expressed regret at the decision, which was triggered by the ILO governing body's vote Friday to accept a critical report urging the Warsaw government to restore trade union freedoms.

Under the ILO constitution, withdrawal becomes effective only after two years, so Poland will formally remain a member. It ceased paying dues in 1980, which made it lose its voting right two years ago.

Poland Issues Warning to Reporters

WARSAW (UPI) — Poland warned Western correspondents Monday that they risked prosecution or suspension of their reporting rights if they attended press conferences given by recently banned human rights groups set up to monitor police violence.

Foreign Ministry officials said journalists could face the same charges as the organizers of gatherings or have their accreditation suspended. Correspondents for United Press International, The Associated Press, Reuters and a U.S. television network were personally warned by ministry officials.

N. Korea, Russia End Border Dispute

TOKYO (UPI) — North Korea said Monday it had reached "a complete consensus" with the Soviet Union on a previously unreported border dispute between the two countries.

The nature of the dispute was not immediately clear. But the North Korean Central News Agency said talks ended Monday "with success." The agency reported on Nov. 13 from Pyongyang that a Soviet delegation led by the deputy foreign minister, Mikhail S. Kapitsa, had arrived for talks.

In a terse broadcast monitored in Tokyo Monday, the agency said "Both sides expressed satisfaction over the successful conclusion of the talks in a friendly atmosphere." North Korea and the Soviet Union share a 20-mile (32-kilometer) border along the Tuman River on the coast of the Sea of Japan.

KAL Wins Apology for Story on Crash

LONDON (UPI) — Korean Air Lines accepted a public apology and what its lawyers said was a substantial sum of money Monday from a magazine that had suggested that the airline's jumbo jet was on a spy mission when shot down by a Soviet warplane in September 1983.

Lawyers for the airline said the article last issue in Defence Attaché, a British bimonthly, was false. They said its effect was that the flight "was on a spy mission carefully and deliberately coordinated with United States intelligence authorities. It is hardly possible to imagine a more damaging libel upon any civil airline."

Lawyers for the magazine told the High Court that there was no foundation for any suggestion of a spy mission.

Bolivian Leader Agrees to Step Down

LA PAZ (Reuters) — President Hernán Siles Zuazo agreed Monday to step down in August 1985 and an election will be held that year, Interior Minister Federico Alvarez Plata said.

Mr. Alvarez said the agreement on the resignation of Mr. Siles Zuazo and his government, which was elected in 1980 but did not take office until 1982 because of a military coup, was reached in talks with opposition parties. The talks were arranged by the Roman Catholic Church after opposition demands for Mr. Siles Zuazo's resignation.

Bolivia, which faces economic problems that include an annual inflation rate of more than 1,000 percent, is in the midst of its sixth general strike this year. A general strike called by the Bolivian Workers' Confederation entered its sixth day Monday with the transport and mining industries paralyzed, most shops in the center of the capital closed and fuel supplies suspended.

Papandreu Sees Good Ties With U.S.

ATHENS (AP) — Prime Minister Andreas Papandreu said in an interview published here Monday that relations with the United States are "basically good" but that Greece is no longer "an American satellite." The Socialist leader said his government was still determined to shut down the four U.S. military bases to Greece when a five-year agreement runs out in 1988.

In his interview with the newspaper Ta Nea, Mr. Papandreu said, "We maintain basically good relations with the United States. If you look at the facts, despite American support for Turkey," which he called "the enemy," he said Greece's relations with its Communist neighbors "couldn't be better."

For the Record

The world chess champion, Anatoly Karpov, and the challenger, Gary Kasparov, played their 16th consecutive draw Monday, ending the 25th game of their world title contest after the 21st move. Mr. Karpov leads 4-0 in the match, which will end when one player wins six games. Competition is scheduled to resume Wednesday.

Two South African passenger trains collided near a suburban station outside Cape Town Monday and at least 130 people were injured, the police said. There were no deaths.

Gandhi Charges Conspiracy In Mother's Assassination

(Continued from Page 1)

she hasn't died in the hail of bullets."

Speaking from a podium atop a platform on the broad mall that runs alongside New Delhi's imposing Raj Path, Mr. Gandhi was flanked by two large, flower-garlanded portraits of his mother and banners quoting from speeches by the slain prime minister. One banner bore the quotation: "Whatever religion we are, wherever we come from, we are all Indians."

Another banner declared, in Hindi, "The nation's mother, Indira Gandhi, lives forever." Although the rally was ostensibly a "public meeting" to commemorate Mrs. Gandhi's birthday, its organization and tenor had the undertones of an election campaign rally of supporters of Mr. Gandhi's ruling Congress (I) Party.

More than 600 buses and trucks were requisitioned by the city administration to transport party supporters from outlying areas, and Congress (I) flags and banners were carried by the crowd, which stretched from the parliament building almost to the pink-sandstone Gate of India arch, half a mile away.

The crowd waited for more than two hours to hear Mr. Gandhi speak as the All-India radio chanted slogans in support of the slain prime minister, including one in the Hindi lyrics said, "Indira Gandhi, the mother, your words have become immortal. You were the

hope of Gandhiji and the daughter of Jawaharlal Nehru. You are the epitome of Durga, the goddess of victory." Gandhiji was a term of affection and respect used in reference to Mahatma Gandhi.

Security was tight for Mr. Gandhi's first appearance before a large crowd since his mother's assassination. Hundreds of paramilitary police and border security forces ringed the podium, and sharpshooters were positioned atop buildings and hidden amid the foliage of a large tree in front of the podium.

Animal Lovers Pull Hoax in U.K.

United Press International
LONDON — Militant animal rights activists, who had claimed they injected rat poison into some of Britain's best-selling candy bars, said Monday it was a hoax to hurt the candy company's business.

"None of the Mars bars were ever injected with poison," said Ronnie Lee, a spokesman for the Animal Liberation Front. In a television interview, he said the hoax was pulled because Mars Ltd., a subsidiary of the U.S.-based Mars Inc., was paying for research into tooth decay using monkeys that were force-fed sugar-rich diets.

The scare, which began Saturday night, caused shopkeepers to check an estimated 10 million candy bars

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U.S. Cabinet Considering Plan Affecting Some Taxes, Benefits

By Spencer Rich
Washington Post Service

WASHINGTON — A report by a conservative research group, distributed at a Reagan administration cabinet meeting last week, proposes to exempt interest income from taxes and to allow workers gradually to withdraw from the Social Security and Medicare systems and finance their own benefits through Individual Retirement Accounts.

The report by the Heritage Foundation, which has a strong following among administration officials, also recommends capping payments for Medicare hospital stays, cutting by 3 percent projected Medicaid grants to states with "excessive" health-care costs, substantially shrinking the functions of the Department of Education, and linking student aid to academic prowess.

The report, called "Mandate for Leadership II," is to be published Dec. 7 by the foundation, which is headed by Edwin J. Feulner Jr.

Portions of the report were leaked during the weekend. The New York Times on Sunday reported the Medicaid proposals, and quoted a source as saying the documents were "favorably received."

The new report contains more than 1,300 foreign and domestic recommendations, including the following:

- Consolidating most education aid programs into block grants to the states and eliminating the Department of Education's civil rights enforcement responsibilities.

- Giving government vouchers to the recipients of Medicaid, Medicare, education and housing aid, allowing them to buy their own private services or benefits. The

amount of the Medicaid vouchers would vary according to the income of the recipient.

- Increasing highway and waterway tolls, imposing heavy fees on corporate jets that land at busy airports during rush hours, ending further federal work on the interstate highway system, and allowing the states to impose a gasoline tax to pay for highway construction.

- Opening more government offshore oil areas to private development.

- Including in all Medicare coverage a limit on how much individuals must pay for catastrophic illnesses. Eventually, as more people choose to put their money into medical IRAs to cover retirement medical needs, the report said, the catastrophic protection might remain as the only Medicare option.

- Providing a block grant to states to cover outlays for nursing home care and home health care, now separately financed through Medicare, Medicaid and other programs.

- Further "deregulating" financial institutions to speed the flow of capital into business, and excluding savings interest from income tax to "encourage capital formation."

- Making more use of private companies to provide commercial services to the government, redesigning programs to "foster private-sector transportation and municipal services."

- Allowing regular increases for the National Institutes of Health, but somewhat below the inflation rate.

- Calling the creation of the Department of Education "a historic blunder," the report said the department now should be shrunken into the equivalent of "a three-room schoolhouse."

The report also endorsed tuition tax credits and sharp limits on busing to achieve racial integration.

Treasury Proposal

The Treasury is writing a proposal to raise the taxes of some businesses by modifying depreciation rules and reduce the taxes many other companies owe by lowering rates overall, according to Reagan administration officials. The New York Times reported Monday from Washington.

The depreciation proposal is one of many that the Treasury plans to recommend to the White House by Dec. 1. But leading tax specialists in Congress from both parties say there is little appetite for dealing with the kind of tax bill the administration seems to be preparing.

The administration plans under discussion would reduce tax rates and simplify the tax code by limiting special write-offs for individuals and corporations but would not contribute to a reduction in the federal deficit.

According to Treasury officials, Secretary Donald T. Regan told his staff Friday that he wanted to modify but not abolish that feature, which is called the accelerated cost recovery system.

The system allows large write-offs for companies that invest heavily in real estate, plants, and machinery but is of little use to many other companies, such as those in the electronics industry and other high-technology fields.

Treasury officials said they would also recommend what is known as a modified flat tax for individuals. Under such a plan, some deductions and other devices used under the tax code to reduce taxable income would be abolished and tax rates would be markedly reduced.



JONESTOWN REMEMBERED — Patricia Ryan, daughter of Representative Leo J. Ryan, Democrat of California, who was killed Nov. 18, 1978, near Jonestown, Guyana, spoke at an anniversary service in Washington. Her father was killed the same day 913 people died in a murder-suicide of the Peoples Temple cult.

Reagan Is Counted On For Peace, Prosperity

By Adam Clymer
New York Times Service

NEW YORK — With more Americans expressing confidence about government than in a decade, the public expects President Ronald Reagan to avoid an economic recession in his second term and to make a real effort to negotiate arms control treaties, a New York Times-CBS News Poll indicates.

But the poll indicates that the public expects Mr. Reagan to break his most insistent campaign promise and ask Congress to vote an increase in taxes. In the poll, 57 percent of the public and 40 percent of his own voters expect him to ask for higher taxes.

The poll reflected the depth and solidity of the national swing toward the Republican Party, indicating that Americans are now about equally divided between those who identify with them or with the Democrats.

This development prompted a leading Republican poll taker, Robert M. Teeter, to say, "We are in the midst of a major political realignment in this country."

But how that shift played out, he said, would depend on how well Republicans handled themselves after Mr. Reagan left the White House, especially how they handle

their own potential cleavages over social issues.

Mr. Reagan appears to be both stimulating and profiting from enhanced trust in the government he has often seemed to run against.

Forty percent of those polled said they thought government was run for the benefit of all the people. Although more, 49 percent, said they thought it was run "by a few big interests looking out for themselves," the 40 percent figure was the highest measured since 1972.

Two-thirds of those polled and nine-tenths of his own voters said "yes" when asked, "Do you think Ronald Reagan will make a real effort to negotiate a good arms control agreement with the Soviet Union?"

Even supporters of Walter F. Mondale, the defeated Democratic candidate, were evenly divided on that question, with 40 percent saying he would and 42 percent saying he would not.

Fifty-eight percent of those polled said they thought he would make a real effort to cut the federal budget deficit in half in the next four years. The deficit reached \$175.4 billion in the year that ended Sept. 30. But the route they expected him to take contradicted his campaign theme: 57 percent said they expected him to ask Congress for a tax increase.

The greatest political encouragement in the poll appeared reserved for Mr. Reagan's party.

Thirty-two percent said they were Republicans and 32 percent said they were Democrats. But a total of 47 percent of the respondents called themselves Republicans or said they were independent voters who leaned toward the Republicans. Forty-four percent said they were Democrats or leaned that way.

While that Republican lead is within the margin of sampling error in the poll, never before since The Times and CBS News began polling in 1975 have more respondents identified with the Republicans than with the Democrats.

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Issue of Nation's Constitution Likely To Be Big Obstacle in Salvador Talks

By James LeMoyné
New York Times Service

LOS ANGELES — Salvadoran government and rebel officials who met here for a televised debate last week offered insights into their respective strategies as they prepare for a second round of peace talks.

Expressing considerable caution about the prospects for a general accord, representatives of both sides also spoke with unusual candor of the political and personal differences that divide them and that have fueled their country's five-year civil war.

Their accounts detailed the fracturing of the small, politically active Salvadoran middle class into opposing factions, some of which chose guerrilla war, others alliance with the United States and the Salvadoran Army in a bitter struggle for political and social change.

Rebel leaders said in interviews that the issue of the Salvadoran constitution was a major obstacle to achieving a political agreement acceptable to them. The Salvadoran president, José Napoleón Duarte, as well as the Salvadoran Army high command and U.S. diplomats, have described the constitution as a nonnegotiable starting point for discussions.

"We haven't mentioned the constitution yet, but at some point we intend to discuss changes," said Salvador Samayoa, a leading rebel official. He added that the rebels

would argue that since they did not have a say in the creation of the constitution, they should not be expected to be bound by it.

Government officials said they would insist not only on the constitution but also on their right to set the terms for future talks, naming the place, time and security conditions under which the meetings would occur.

Such details appear to be a potential source of disagreement, as the government and rebels prepare to meet again at the end of this month in El Salvador. Rebel representatives said they have formally proposed that the next session take place Nov. 27 in San Salvador in the office of Archbishop Arturo Rivera y Damas.

A senior government official, however, said the proposal had not been received and that the government would offer a different site, outside of San Salvador.

He said it would be much more difficult to guarantee the security of rebel leaders in San Salvador and that the government did not want to give the guerrillas an opportunity to organize demonstrations among their supporters in trade unions and the poor neighborhoods of the capital.

Each side gave new details of their last meeting in the northern Salvadoran town of La Palma a month ago and suggested that the seeming tranquility of the reunion could easily have ended in violence.

Both government and rebels had pledged to keep all armed troops at least six miles (10 kilometers) from the town.

"It was a powder keg," Mr. Samayoa said in describing how the rebels and the government had armed men among the thousands of spectators in the town square. He added that the rebels also had combat units stationed around the town in case the government attacked rebel leaders at the talks.

The Salvadoran minister of the presidency, Julio Adolfo Ray Prendes, did not deny Mr. Samayoa's account. He added that Salvadoran Army troops were deployed around the town as well and that President Duarte had ordered army commanders to attack immediately if he was assassinated.

There were reportedly more human touches in La Palma as well. A senior government representative said a rebel military commander, Ferman Cienfuegos, had asked the defense minister, General Carlos Eugenio Vides Casanova, who was part of the government delegation, to say hello to his parents and to tell them that he was well. Mr. Casanova was a friend of Mr. Cienfuegos's family.

The government official discussed how he had known many leading rebel representatives as young men before they joined the armed guerrilla opposition.

Another official told how his daughter had dated a senior guerrilla military commander on the eve of the civil war. In unexpected encounters, representatives of each side embraced, recounted childhood memories and traded family gossip stockpiled in four years of political exile for rebel leaders.

Uncertainty on Talks

An intermediary between President Duarte and the guerrilla leaders that oppose him warned Sunday that the climate for peace talks had "deteriorated considerably" because of an outburst of violence in recent weeks. The Washington Post reported from San Salvador.

In a hourly delivered at San Salvador's cathedral, Bishop Gregorio Rosa Chávez confirmed growing uncertainty about the prospects for a second round of peace talks between Mr. Duarte and rebel leaders.

The move came in response to a wave of armed attacks on towns attributed to the Shining Path guerrillas. The U.S. Embassy in Lima said in a statement, "We lament the tragic loss of life caused by the brutal murders... and extend our deepest sympathies to the bereaved families of the victims."

Democratic Party's Leaders Conclude They Must Recapture Middle America

By Dan Balz
Washington Post Service

CHARLOTTE AMALIE, Virgin Islands — Democratic Party leaders have concluded their first post-election meeting with a short answer to the question of the party's future direction — back to middle America.

The state party chairmen, who gathered at this resort during the weekend to begin rebuilding in the wake of President Ronald Reagan's 49-state victory over Walter F. Mondale, agreed Sunday that the Democratic Party had lost its appeal among middle Americans.

They made clear that they think the party's traditional coalition has eroded and its geographical base is shrinking, that it has ignored for too long the growing sections of the country and that, while 1986 may look like a good year for the party, it cannot afford to be complacent.

"These are no ordinary times for our party," said Duane B. Garrett, Mr. Mondale's national co-chairman.

"We face fundamental choices about our future," Mr. Garrett said. "Some seem to believe there's nothing wrong with the Democratic Party that a renewed recession won't cure. I disagree. Our problems go far deeper than Ronald Reagan's grip. We are being out-organized, out-spent and out-flanked. We are losing our identity as the party of progress."

"If we pretend that all is well and go about our business as usual, we may well consign ourselves to minority status for the rest of this century."

If there was a lack of consensus, it was over who should succeed Charles T. Manatt as party chairman when his term expires in January. Announced candidates for the post include Mr. Garrett; Sharon Pratt Dixon from the District of Columbia; Paul G. Kirk Jr.; Robert J. Keefe; Nancy Pelosi; and former Representative John Cavanaugh of Nebraska.

Chinese Leader Ends Official Visit to Lisbon

The Associated Press

LISBON — President Li Xian-nian of China left Lisbon Monday after a four-day state visit, the first by a Chinese head of state to Portugal. Mr. Li was headed for the Mediterranean island of Malta, his third stop on a European tour.

Officials said talks focused on diplomatic, trade and cultural ties. Foreign Minister Wu Xueqian said earlier that the two delegations had not officially discussed the future of Macao, a tiny enclave west of Hong Kong that both governments recognize as Chinese territory under Portuguese administration.

19 Killed in Raid in Peru On U.S. Anti-Drug Camp

The Associated Press

LIMA — Gunmen killed 19 Peruvians during the weekend who had been working on a U.S.-sponsored coca-eradication project, and a U.S. spokesman said here Monday that Washington had suspended the program.

First police reports identified the attackers as "narcotics terrorists," but later accounts suggested the gunmen were members of the Shining Path leftist guerrilla movement.

Government officials have said the guerrillas, active in the area since midsummer, have been linked to narcotics traffickers.

A spokesman for the U.S. State Department's Narcotics Assistance Unit, speaking on condition of anonymity, said the program was halted temporarily, "until we get a clearer picture" of what was behind the attack.

He said the United States is spending \$4.2 million this year to hire Peruvian workers to destroy coca plants. The paste of coca leaves is used in making cocaine. The project also attempts to replace the coca crops with legal but less lucrative crops such as corn.

The police in Tingo Maria, the center of Peru's "cocaine cradle" 340 miles (about 547 kilometers) northeast of Lima, reported that 100 Peruvian marines were hunting the 50 to 100 gunmen who burst

into a jungle camp early Saturday and began firing at sleeping workers.

The police said all 19 victims were Ministry of Agriculture employees working for the Upper Huallaga Valley Coca Reduction and Control Organization. The project has been under way since 1978, U.S. officials said.

Peru's coca-growing region has been under military control since July, when President Fernando Belaunde Terry expanded Peru's guerrilla emergency zone to include the upper Huallaga River Valley. The move came in response to a wave of armed attacks on towns attributed to the Shining Path guerrillas.

The U.S. Embassy in Lima said in a statement, "We lament the tragic loss of life caused by the brutal murders... and extend our deepest sympathies to the bereaved families of the victims."

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Mozambique Priests Preach Production

By Henry Kamm
New York Times Service

MAPUTO, Mozambique — "I'm a materialist," said the Reverend Giuseppe Brunelli, walking his motorcycle along a bone-dry dirt path in the northern Mozambique village of Boroma, where 50 people died of starvation earlier this year and food is again running out.

"The pope would excommunicate me as a liberation priest," he said, "but I think the soul is very much attached to the body. Matter is sacred."

Now that the Marxist-Leninist

government of President Samora M. Machel has considerably relaxed its pressure on the Roman Catholic Church, which was severe in the earlier years of independence, Father Brunelli is building a chapel, in addition to his main work of helping improve agricultural productivity.

"I call it the chapel of hunger," the Italian missionary said. "About 100 people come for Mass, mainly young. They come because we speak about very practical things in the chapel. We speak about production."

Father Brunelli, who came to

Mozambique before it shed Portuguese colonial rule in 1975, is one of about 20 missionaries remaining in the country who have chosen unconventional roles because the poverty of the people has made them dissatisfied with purely sacramental functions. In this they resemble the Latin American advocates of the teachings known as liberation theology.

Other missionaries continue to do conventional parish work, mainly in cities and towns.

Father Brunelli still celebrates Mass when the occasion presents itself. Another Italian, the Rever-

end Prosperino Gallipoli, a bit embarrassed at the question while showing a visitor through a cooperative pig-breeding station at the edge of Maputo, replied that he attended Mass, remained fully a priest on reasonable terms with church authorities, but did not carry out public priestly functions.

"The church makes an error when in an underdeveloped country like this it concentrates on sacramental functions," he said. "Perhaps I am in error in concentrating on what I do, but in what I do I feel like a real missionary."

What he does instead of serving in a parish is to act as head of the development department of the Union of Cooperatives of Maputo. That is the official title held by Father Gallipoli, a Capuchin father from Bari who has been in Mozambique since 1958. He is regarded as the heart and soul of the cooperative movement and enjoys the favor of some high members of the government, who are hoping to guide Mozambique from doctrinaire Marxism to a more open form of socialism.

"The church has never thought a priest should do this," said the 52-year-old missionary, who like Father Brunelli wears no outward marks of his calling. "But we must do it. The real underdevelopment here is not material; it is inside the African."

"The black has been an object; he must be brought to recognize that he is the subject," Father Gallipoli added. "To make him succeed in agriculture is a means of achieving that, to make his consciousness rise. This is not materialism; it is an authentic mission."

Asked about the stern warnings by Pope John Paul II to priests about political activities, particularly to the Nicaraguans who hold ministerial posts, Father Gallipoli replied:

"But the church has always been in politics. Only the Nicaraguan priests are in politics that the church does not agree with, so it opposes them. If I were in the traditional conservative line, there would be no problem."

Father Gallipoli is not an uncritical supporter of Mozambique's Marxist policies. He became active in the cooperative movement because he considered it preferable to the unproductive state-farm system that had been introduced to take over the farms and plantations that the Portuguese settlers left behind. In recent years, the government has offered more freedom for private and cooperative initiatives to revitalize a stagnant economy.

Father Gallipoli is proud of the 1,200 tons of vegetables that his units will have produced by the end of the year, produce that has been important in supplementing the grossly inadequate food supplies of Maputo.

Romania to Extend Warsaw Pact Tie

Reuters

BUCHAREST — President Nicolae Ceausescu of Romania made clear Monday that his country, which has restricted military cooperation with its Soviet bloc allies, would extend its Warsaw Pact membership when it comes up for renewal next year.

Speaking to the 13th Romanian Communist Party Congress, Mr. Ceausescu said that Romania would have to consider accepting an extension of the term of the treaty because the Warsaw Pact nations and NATO had not been able to reach an agreement to disband the two alliances.

Mr. Ceausescu, 66, who has steered his country along a path of relative independence, suggested in his address opening the congress that the party should approve the extension during its five-day meetings. But he said that even after the treaty had been extended, Romania would "support all initiatives to create conditions for steady dismantling of the two military blocs."

Western diplomats said they believed Romania might wish for an extension of four or five years, while they said Moscow might be pressing for a longer term. Since

the Soviet-led invasion of Czechoslovakia in 1968, Romania has allowed no Warsaw Pact military maneuvers on its territory and sends only observers to exercises elsewhere.

In his speech to the 3,100 delegates at the congress, Mr. Ceausescu said: "As is known, the validity of the Warsaw Pact expires next year. As no corresponding accord has been reached for the simultaneous abolition of the two military blocs — the NATO and the Warsaw Treaty — we deem that we will have to consider accepting the extension of the term of the treaty."

PLO May Be Heading for First Formal Split

(Continued from Page 1)

sweeping changes in the PLO that would curb his freedom of action.

The agreement barred further PLO contacts with Egypt and criticized King Hussein of Jordan for reconvening his parliament and for flirting with the U.S. peace plan put forth in September 1982.

Mr. Hawatmeh and Mr. Habash had hoped that the Syrian-backed National Alliance would accept the compromise and avert a division. But the rebels refused and insisted instead on Mr. Arafat's removal as a condition for a council session.

On Nov. 10, Mr. Arafat's allies in Tunis announced that the meeting would be held by the end of the month in Amman, Jordan, with or without the rebels.

Later, Mr. Habash announced in Damascus that his group would not attend the meeting in Amman because of fears that it would fragment the PLO.

Mr. Arafat also concluded that aligning the PLO with Jordan, Egypt and the more moderate Arab forces was the only way to keep his job and to advance the Palestinian cause, a key aide asserted.

He said Mr. Arafat had reached this decision only after extensive

efforts to end his feud with President Hafez al-Assad of Syria.

Syria is adamantly opposed to Egypt's separate peace with Israel in 1979. Syria has been determined to prevent Jordan and the PLO from starting negotiations with Israel that would exclude Arab officials said.

Consequently, many people expected Mr. Assad to patch up his differences with Mr. Arafat.

Instead, Palestinians said, Mr. Assad rejected months of appeals from Mr. Arafat's envoys.

"Assad simply cannot bear Arafat," said a prominent Palestinian who knows both men well. "It's almost a physical revulsion. They hate each other."

Several Palestinians said it was crucial to continue trying to prevent a formal split in the PLO.

"Arafat may secure more freedom of movement," an influential Palestinian maintained. "But he and the movement will emerge from such a split far weaker."

It is still not clear that the meeting will take place. Khaled Fakhour, the speaker of the council who is based in Damascus, said that he would not preside over nor

attend a council meeting that lacked a genuine consensus.

But Mr. Arafat appears to be prepared to press ahead. Palestinians said he would first try to win a vote of confidence from the council. Then he would seek endorsement of the formation of a Palestine government-in-exile that would offer to form a confederation with Jordan, the sources said.

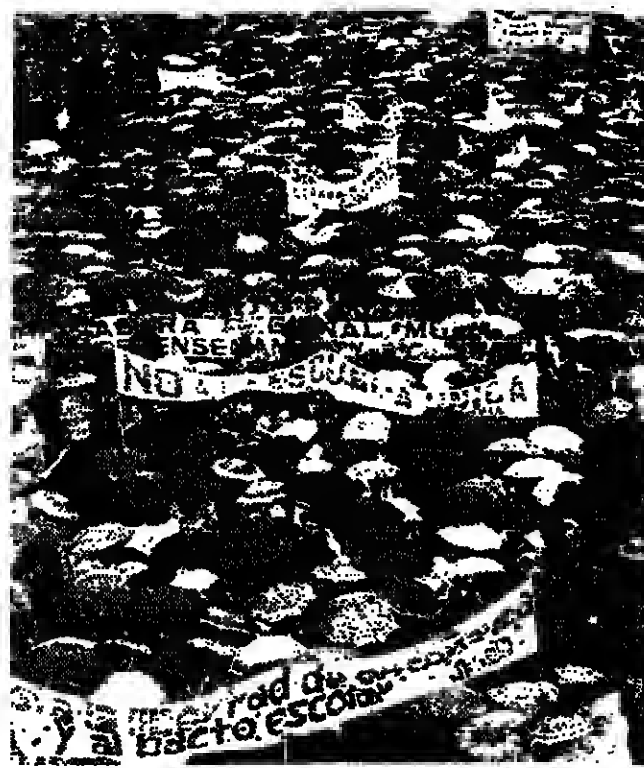
The approval of two-thirds of the approximately 380 members of the council are required to convene a meeting, and Ahmed Abdel Rahman, Mr. Arafat's spokesman in Tunis, said that Mr. Arafat would easily win that approval.

But critics disagreed. "He would have to doctor a quorum," a Palestinian said. "The Amman meeting would be a half-baked PNC, and he would be a half-baked leader."

Almost every Palestinian interviewed expressed some dissatisfaction with Mr. Arafat. A former supporter characterized him as "just another Arab leader who refuses to relinquish power."

"He is a lame duck with or without the PNC meeting," another said.

TOMORROW: The meaning of the PLO's military power.



At least 500,000 people jam Paseo de La Castellana in Madrid to protest state controls on church-run schools.

Madrid March Protests Curb on Church Schools

By Edward Schumacher

New York Times Service

MADRID — Hundreds of thousands of Spaniards, joining in a growing battle between the Roman Catholic Church and the Socialist government of Prime Minister Felipe Gonzalez, marched here Sunday to protest a new law imposing state controls on most church-run schools.

The police put the number of marchers at half a million; organizers said it was twice that. The marchers, ignoring intermittent showers, formed a peaceful, two-mile (3.6-kilometer) column on a central boulevard.

Encouraged by rightist opposition leaders and much of the church hierarchy, the marchers, mostly middle class and prosperous, converged in buses from around the country.

The eight-month-old law has yet to be put into effect because of a court appeal over its constitutionality. It would regulate admissions and administration and ban mandatory religion classes and services in private schools that receive state subsidies. Most private schools are Catholic and almost all of them run on the subsidies.

Although the parent and school organizations who organized the march ostensibly sought to keep it nonpolitical, the rightist leaders, among them Manuel Fraga, head of the Popular Alliance, the main opposition group, had been part of

the planning and marched just behind the organizers.

The Spanish right has long tied itself closely to a conservative Catholicism. This complicates what is much more than just an education imbroglio in this mostly Catholic country as it seeks to define the line between church and state.

"If democracy is participation, we are tired of repeating that the parents of students have a right to participate," the march's chief organizer, Carmen de Alvear, 42, a former reporter and mother of eight, said in a letter to Mr. Gonzalez she read to the marchers.

"As the parents of students, we refuse to be the mere passive subjects of the administration's decisions," she said.

She and other speakers demanded that the government scrap the law and negotiate with them to devise a new one with fewer government intrusions in church schools.

Nearly 40 percent of the nation's students attend state-subsidized schools, which do not charge tuition in return for the aid. The subsidies were established in 1970 in recognition that the public school system was very inadequate.

Opposition leaders said they hoped to repeat the example set in June in Paris. There was a huge march protesting a proposal by the Socialist government of François Mitterrand to give the government greater control of private schools. The proposal was dropped.

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Leonard Rose, Cellist, Teacher in U.S., Dies

New York Times Service

NEW YORK — Leonard Rose, 66, an American cellist known for his solo performances and his musical collaborations with such artists as Isaac Stern and Eugene Istomin, died Friday after a long illness.

Mr. Rose was best known for his fresh interpretations of the standard cello repertoire, particularly music of the Romantic era. However, he did not limit himself to 19th-century works. Mr. Rose also excelled in contemporary material. Bloch's "Schelomo" was one of his specialties.

In addition to his performing career, Mr. Rose was one of the most important American cello teachers of his time. He taught at the Juilliard School of Music from 1947 until his death, and at the Curtis Institute from 1952 until 1962.

Mr. Rose was born in Washington, the son of Harry and Jenny Rose. He began lessons at the age of 10 with Walter Grossman at the Miami Conservatory, and later studied in New York with his cousin Frank Miller. He won a full scholarship to the Curtis Institute, where he studied with Felix Salmond. He then assumed the position of assistant principal cellist in the NBC Symphony Orchestra under Toscanini.

After one season, he left New York to become the principal cel-

list in the Cleveland Orchestra from 1939 to 1943. He then joined the New York Philharmonic Orchestra, where he served as principal cellist from 1943 until 1951, making his concerto debut at Carnegie Hall in 1944. By 1949, Mr. Rose had been the soloist with the Philharmonic 18 times, playing works by Schumann, Dvorak and Lalo, among others. He made his last appearance with the Philharmonic at the 1951 Edinburgh festival, and then left to pursue a successful solo career.

During the 1950s, Mr. Rose began to play regularly with Mr. Stern and Mr. Istomin, initially only for personal enjoyment. In 1961, they decided to form a professional chamber-music trio. In the succeeding decade, the Rose-Stern-Istomin trio made many recordings and gave concerts throughout the world, touring together for a part of every year. "We are three major personalities, three prima donnas, yet we have to blend and give and come to a common understanding," Mr. Rose observed in 1972.

Duke of Somerset, 74, Officer and Jazz Fan

LONDON (AP) — The Duke of Somerset, a retired army officer, lifelong jazz fan and bolder of one of the oldest ducal titles, died last Wednesday.

The duke, who born Percy Ham-



Leonard Rose

ilton Seymour, was the 18th of his line. The title was created in 1547. The first duke was beheaded on Tower Hill. The heir is the elder of the duke's two sons, John, 31.

The duke died at his family seat at Maiden Bradley near Warminster, 100 miles (160 kilometers) west of London.

He served as a major in the Wiltshire Regiment in India, Persia (now Iran) and Burma. He collected jazz records from his school days and was a good shot, cricket follower and spectator at car races.

Other Deaths: Matthias Walden, 57, chief commentator and co-publisher of Die Welt newspaper, in West Berlin Saturday following a long illness.

James Fields, 36, a piano prodigy who made his debut with the Los Angeles Philharmonic when he was 10, Thursday in Los Angeles.

Philippines Declares Marcos Is Well Amid Reports of His Hospitalization

By Abby Tan

Washington Post Service

MANILA — The presidential palace issued a statement Monday night saying that President Ferdinand E. Marcos was well and performing his usual duties. The statement came amid reports that the president was ill or had undergone an operation.

The statement issued by the assistant information secretary, Amante Bigornia, said Mr. Marcos, 67, was in touch Sunday night on the telephone with the defense minister, Juan Ponce Enrile, the information minister, Gregorio Cerdana, and the acting armed forces chief of staff, Lieutenant General Fidel V. Ramos.

But Mr. Marcos failed to appear on the nightly television news for six days in a row; this is unusual for a leader who dominates news events in the Philippines.

Mr. Marcos has been in power

for 18 years but has not named a successor. He has, however, put in place a succession plan to elect a replacement within 60 days after the president's death.

The rumors about Mr. Marcos's health began circulating two weeks ago. A former information minister, Francisco Tatad, wrote Monday in his column in the newspaper Business Day that he had been told by palace sources that Mr. Marcos had undergone a successful operation Nov. 14. The nature of the operation was not disclosed.

Mr. Marcos is said to be suffering from a kidney ailment. It has been government policy not to concede that the president is ill.

Another withdrawal from public view occurred in August 1983 just before a key political opponent, Benigno S. Aquino Jr., returned home from self-exile and was killed at Manila's airport.

Western diplomats said they be-

lieved Mr. Marcos was ill again, but they said they doubted he had had a kidney transplant. Mr. Marcos dropped out of public view after meeting Nov. 13 with a U.S. senator, Christopher J. Dodd.

Mr. Tatad claimed that only Mr. Marcos's immediate family has access to him and that his eldest daughter, Imee, was managing the press releases to prevent bungling.

Mr. Tatad also claimed that most of the hospital's staff were told to go on leave from Oct. 29 to Nov. 11, and many patients were transferred to another wing of the hospital.



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OAS Agrees on Attempt To 'Revitalize' the Group

By Alan Riding

New York Times Service

BRASILIA — After a week of discussions, the 31 members of the Organization of American States have agreed to make a new attempt at strengthening the regional body.

During its annual general assembly last week, a succession of speakers called for the OAS's "revitalization." A special assembly was scheduled for next year to discuss how this could be done.

Many delegations remained skeptical that the OAS could play a more active role in regional affairs. In private, some even questioned whether this was politically desirable.

"If the OAS is always going to be dominated by the United States, it's probably safer for us if it is a weak organization," a Latin American diplomat said.

Evidence of the OAS's present ineffectiveness is that Latin America's two most pressing problems are being discussed outside its chambers — the Central American crisis by four nations known as the Contadora group, and foreign debt by 11 debtor nations known as the Cartagena group.

The organization has also had no impact on several territorial disputes involving member states. Diplomatic efforts to settle Argentina's conflict with Britain over the Falkland Islands have focused on the United Nations.

Argentina's dispute with Chile over the Beagle Channel was mediated by the Vatican, while Colombia is to host talks between Bolivia and Chile over landlocked Bolivia's claim to access to the sea.

The interdependence of states

is deeply asymmetrical in the continent. Mexico's foreign minister, Bernardo Sepulveda Amor, said, "The inter-American system has not always reflected the interests of the great majority of its members. The unacceptable concept of spheres of influence has at times prevailed."

The asymmetry also exists in financial terms, with the United States, Brazil, Argentina, Mexico and Venezuela financing 90 percent of the OAS budget. Washington alone provides 62 percent of total resources.

Using their numerical strength last week, Caribbean members blocked passage of a resolution backed by most Latin nations canceling the pension of the former OAS secretary-general, Alejandro Orfila of Argentina. Instead, Mr. Orfila was simply "censured" for receiving a salary from a Washington public relations firm during his final three months in office.

Since the troubled image of the OAS is partly blamed on Mr. Orfila's party-going way of life in Washington, the sober approach of his successor, João Baena Soares, an experienced Brazilian diplomat, has raised hopes that the organization can return to a more serious tone.

Mr. Baena Soares believes that the secretary-general should play a more active political role as part of the organization's revitalization.

The foreign minister of Colombia has proposed a stronger role for the secretary-general, although some governments fear that an office-holder from a weaker country might be more easily influenced by the United States.

Vermont Ex-Sen. George Aiken Dies

The Associated Press

MONTPELIER, Vermont — George D. Aiken, 92, a former Republican Senator from Vermont, whose political career spanned five decades and whose half-serious plan for ending the Vietnam War led colleagues to describe him as "a wise old owl," died Monday.

Mr. Aiken, with a sharp wit and homespun style, parlayed his horticultural expertise into a political base used to topple the Republican Party's old guard.

He was well known for his prescription for ending the Vietnam War — "The U.S. should declare victory and get out." His 1966 peace plan prompted a congressional colleague to describe him as "neither a hawk nor a dove, but a wise old owl."

He always listed his occupation as a farmer and plant grower, and his Yankee roots never weakened during his stay in Washington.

He was considered an expert on wildflowers, and his extensive lecturing on the subject and ties with farmers enabled him to build enough support to win a seat in the state House in 1931, and establish himself in Vermont politics.

A progressive Republican, Mr. Aiken spent two years as speaker of the state House, two years as lieuten-

ant governor, four years as governor and 34 years as a U.S. senator. In 1975, he returned to his gardens on a Putney hillside.

Throughout his years in the Senate, Mr. Aiken preferred to be called governor, a title he felt brought him closer to the state he loved.

Mr. Aiken was a Vermont institution. In his last re-election bid, in 1968, he reported spending \$17.09, mostly for postage to thank people for circulating his nominating petitions, "which I didn't ask them to do," he said.

Mr. Aiken sent Republican regulars sputtering in 1938, when he told the party's Lincoln Day dinner in New York: "The greatest praise I can give Lincoln today is to say that he would be ashamed of his party's leadership today."

That nationally broadcast address was part of a concerted campaign to promote Mr. Aiken as a "3-foot-8 Lincoln" whose presidential candidacy would breathe new life into the spiritless Republican Party.

He abandoned the presidential effort but never stopped fighting for rural America, spearheading efforts to bring electricity to remote areas, build the Saint Lawrence

Seaway and to create the nationwide food stamp program.

When he retired in 1975, he was dean of the Senate, the oldest senator and the ranking Republican on both the Agriculture and Foreign Relations committees.

He was best known for the simple virtues that epitomized the Vermont Yankee — honesty, decency and independence.

During his years in Washington, Mr. Aiken could be found in the early mornings feeding peanuts to the pigeons on Capitol Hill.

He was often described as a man with little power but immense influence. Presidents from Franklin D. Roosevelt to Gerald R. Ford called on him for advice and many turned to him in their most troubled moments.

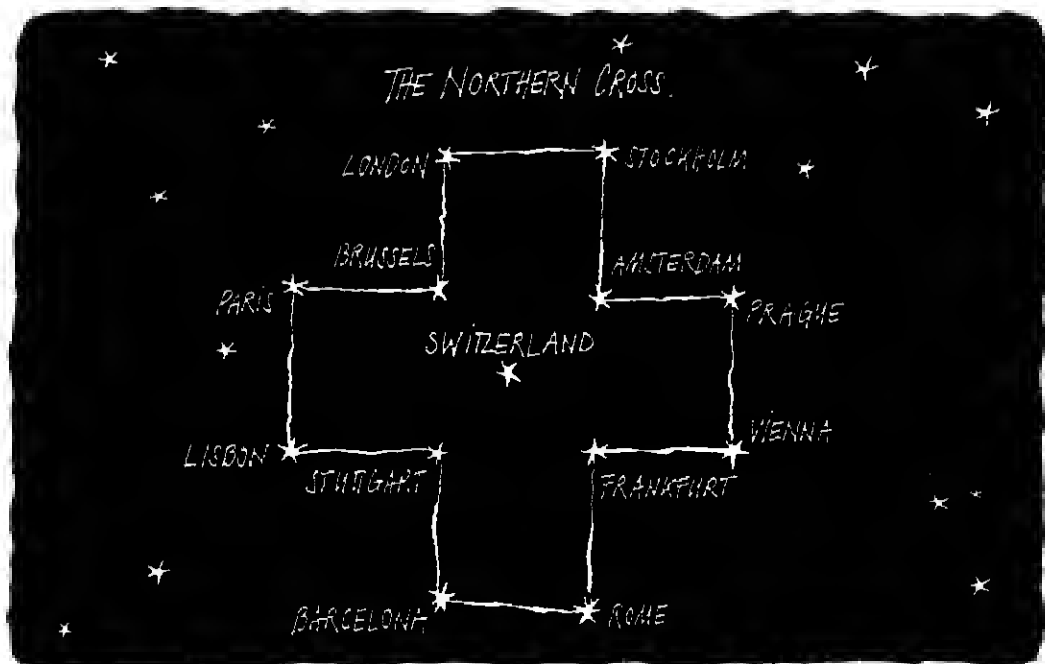
In a recent interview, Mr. Aiken at first balked when asked what he thought was his most important accomplishment. But his wife, Lola, who served as his unpaid administrative assistant in Washington, told him sternly to answer the question.

Finally, he said: "Talking with some of the big officials when they were weeping and needed someone to talk to. 'Listening.'"

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INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

No Influencing Pretoria?

Those were warm, welcome words from President Reagan to South Africa's new Nobel laureate a few weeks ago: "All Americans join me," Mr. Reagan wrote to Bishop Desmond Tutu, "in recognizing your labors in seeking to promote nonviolent change away from apartheid, toward a form of government based on the consent of the governed and toward a society that offers equal rights and opportunities to all its citizens, without regard to race."

In South Africa, simply uttering those ideas can be a criminal act. And that is the disturbing reality that the Reagan administration ignores in its passive response to the white regime's police-state crackdown on dissenters of all races, the worst in years. Those being arrested are not violent revolutionary conspirators but advocates of nonviolent change, the disciples of Gandhi and Martin Luther King.

A raid on black townships near Johannesburg was assisted by 7,000 troops, the first use of the army against home-front dissenters. The police are invading the homes and offices of blacks suspected of organizing protest strikes. Scores have been taken for having urged a boycott of August's elections of two powerless legislatures "representing" 600,000 Indians and 2.8 million persons of mixed blood.

Six leaders of that boycott sought safety in the British consulate in Durban in September. Their larger purpose had been to prevent destruction of their United Democratic Front, a multiracial coalition urging nonviolent

change. When their lawyers appealed for American asylum, Pretoria warned against harboring "criminals," and Washington timidly looked away. Three of the leaders were arrested as soon as they left the consulate.

Here is the dilemma of all Americans. We profess a special abhorrence for South Africa's racism but want to avoid stirring civil strife. The administration goes a step further: It thinks warm ties to Pretoria — "constructive engagement" — will achieve more good in the end. But it has nothing to show inside South Africa for four years of such engagement.

Nor has it anything to show diplomatically. One early fruit of engagement was to have been the end of South Africa's illegal occupation of Namibia. The great prize of a regional bargain — independence for Namibia and the departure of Cuban troops from Angola — continues to elude Washington's grasp.

South Africa's rulers are consummate realists bent on preserving a system that gives one white tribe — 2.4 million Afrikaners — permanent dominion over other minorities and 22 million blacks. The Afrikaners' power is enshrined in a constitution that divides blacks into "citizens" of impoverished tribal "homelands," comprising 13 percent of South Africa's territory. One can acknowledge the dilemma of trying to alter that system by outside pressure, but "constructive engagement" seems only to be reinforcing it.

— THE NEW YORK TIMES.

Let Soviet Citizens Travel

In calling last June for greater contacts between Soviet and U.S. citizens, President Reagan voiced an "impossible dream" of a time when people of the two countries could travel back and forth freely. It turns out that the Kremlin also has an "impossible dream," one as characteristically Soviet as Mr. Reagan's is characteristically American. Moscow has just voiced its dream in negotiations to write a new exchange agreement. It is to enlist the U.S. government as an auxiliary police force to send home Soviet citizens who come to America on an exchange program and want to defect.

The basis of Soviet concern is not hard to understand. To gain prestige and hard currency, Moscow has sent abroad the most brilliant stars in its culture, only to find a seemingly endless succession of them deciding to enjoy the freedoms and favors of the West permanently. It has been a tremendous embarrassment, and it must be doubly painful for the Soviet Union to come now to the U.S. government — not for the first time — and admit that the source of Moscow's distress but also the single source of its ultimate possible relief. For while some defectors, such as Stalin's daughter, can

be lured home, most artists, it seems, cannot. One could speculate on how the Soviets ever got the zany idea that Ronald Reagan might be recruited to moonlight as an enforcer for the K.G.B. It is more to the point to indicate other possibilities open to Moscow. On the level of the cultural superstars, if it relaxed a bit and granted that cultural folk tend to the footloose and the cosmopolitan, it could permit a more natural back-and-forth that would do much to moot the question of defection.

On the more basic level of free travel, free emigration and the rights promised its citizens by its laws, the Kremlin simply needs to be reminded, again and again, of the inhumanity of its policies. Why is Yelena Bonner not permitted to go abroad? What about Anatoli Koryagin, the psychiatrist who protested against the use of psychiatry as a tool against dissent and who is reportedly in desperate condition in Chistopol prison? To Moscow's arrogant request to have Americans police Soviet exchanges, Washington needs to reply by asking how it is possible to have a decent program when official cruelties continue to be inflicted upon people such as these.

— THE WASHINGTON POST.

Three Filipinos Murdered

Not one but three treacherous murders: Benigno Aquino, Alexander Orullo, César Climaco. It may be that each crime came as a shock to Philippine President Ferdinand Marcos. But for these and other killings, no one has been punished. It is as if Central America's death squads were taking distant root.

Death squads are an especially ugly instrument of terror. Recruited by security forces, the killers pretend to operate on their own. Government can disavow the marauders yet by protecting them still intimidate opponents. Is that what is happening now in the Philippines? When Mr. Aquino was killed at Manila airport in August 1983, President Marcos blamed a lone Communist gunman. His own inquiry has now found otherwise and accused high military officers. The promise of swift, impartial trials is not yet kept.

The latest victims, too, were prominent critics of Mr. Marcos. Mr. Orullo, the regional secretary of an opposition party in Mindanao, was shot on Oct. 19 by men in military fatigues. His family suspects gunmen belonging

to a paramilitary group trained by the army. There have been no arrests.

Last Wednesday, in what Mr. Marcos calls "a major blow" against decency, a colorful mayor in the same province was shot dead. César Climaco was not an obscure victim. When martial law was imposed in 1972 he vowed not to cut his hair until it was lifted. Nine years later, when Mr. Marcos yielded a bit, Mr. Climaco cut his locks accordingly, to shoulder length. He was known for such flair but also for effective campaigns against crime.

President Marcos has ordered yet another high-level inquiry. But the United States, bound to the Philippines by history and strategic interest, needs to do more than join in the hand-wringing. El Salvador makes the point. When the Reagan administration finally passed a blunt warning to its military, the death squad killings dropped off dramatically.

The U.S. influence in Manila is almost as great. A blunt warning about America's deepening concern might stop the bloodletting.

— THE WASHINGTON POST.

Other Opinion

Qadhafi's Ways Are No Mystery

Claude Cheysson deplored Sunday that Colonel Qadhafi had "not kept his word." The foreign minister's surprise is surprising. In 15 years the leader in Tripoli has had ample time to show just what he thinks of diplomacy and how he uses it. To put it briefly, he does not as a rule feel that his signature binds him.

The colonel's serious promises are to be found in his little "green book." One concerns France, of which it is said that it must be excluded from the African continent. In their

baste to normalize relations between Tripoli and Paris, were not French leaders a bit quick to forget that? This carelessness is all the more surprising because there were warnings.

By all appearances, a serious error of judgment was made in Paris about Colonel Qadhafi's personality. "Qadhafology" is a science without mystery. The colonel's actions derive from a simplistic world view. President Mitterrand's haste to pull out of Chad persuaded him that the balance of strength had turned in his favor, and he drew the consequences.

— Le Monde (Paris).

FROM OUR NOV. 20 PAGES, 75 AND 50 YEARS AGO

1909: No U.S. Backing for Nicaragua
WASHINGTON — What practically amounts to an announcement that the United States is tired of the high-handed action of the Central American Republics is contained in a dispatch sent to the Bluefields Steamship Company declining to extend aid in protecting steamers laden with arms for the Nicaraguan Government. The result of the conference between President W.H. Taft and Secretary of State Knox is practically a recognition of the revolutionists. The message stated that if the blockade at Greytown was effective, the United States would not be disposed to interfere. Mr. Knox has determined to exercise moral suasion to bring the Central American Republics to a realization of their responsibilities.

1934: A Look at the Future of Movies
HOLLYWOOD — Lucien Hubbard, noted producer, believes the movies will be in existence in 2034 without any radical changes. Richard Boleslavsky, director, says they will create a tremendous interest in the art of the theater. "Movies have reached such a stage of perfection that no radical changes can be expected," Hubbard said. Boleslavsky believes a century will pass before the movie realizes the true possibilities of the movies. In the dim future, theatergoers will be able to see through the medium of films the great artists of the past. "Bernhardt, Mme. Modjeska, Duse and other greats of the past generation are only legends. There is no record of their artistry to live after them. It will be different now."

Chile: A Chance for Washington to Apply Leverage

By Anthony Lewis

BOSTON — Around the world brutal governments torment their people and often the United States can do frustratingly little to stop them. But sometimes it does have leverage. Such an opportunity is at hand now: a chance to restrain General Augustin Pinochet's dictatorship in Chile.

This week the Inter-American Development Bank is due to vote on hundreds of millions of dollars in proposed loans to Chile. The U.S. vote will be crucial. By opposing the loans Washington would send a necessary message to General Pinochet — and, incidentally, serve political self-interest and law.

At a time when there is movement toward democracy in various Latin American countries, Chile is going in the opposite direction. Eleven years after the coup that overthrew the elected government of Salvador Allende, General Pinochet is tightening the screws of repression. Two weeks ago he imposed a state of siege, shut down all opposition newspapers and banned political activity.

A press photograph last week illustrated the nightmare of General Pinochet's Chile. It showed 5,000 men and boys held at gunpoint in a Santiago football stadium. They had been taken en masse — every male between the ages of 16 and 60 — in a military sweep of the shantytown La Victoria. It was the second such raid on a crowded slum town in a week. Each time all the men were taken away in

buses and held for many hours while they were checked by secret police. Then hundreds were marched off to detention, and the rest released and told to walk home.

"This is done to terrify and punish the population," a priest in La Victoria, Pierre Dubois, said. With political voices silenced, the Catholic Church has spoken out strongly against the intensified repression. The government has started to move against the church, among other things refusing to let the head of its human rights office back into the country after he visited Rome.

The archbishop of Santiago, Juan Francisco Fresno, is a conservative whose appoint-

ment was hailed by the government. Last week he called General Pinochet's repressive moves "a grave reversal for understanding and peace" in Chile and said they had provoked "disquiet, fear and anguish."

What the archbishop and others fear is that the rigidity of General Pinochet — his refusal to countenance a gradual return to democracy — is working to divide Chile between extremes of left and right. And that obviously must be a concern for the United States, too.

The United States has been involved in Chile's political fate for a long time now. When the left-wing Allende government came to office, President Nixon vowed to do what he could to destroy it. He told aides to "make the economy scream." He had Henry Kissinger head a committee to see that international lending agencies cut Chile off.

In the Allende years, 1970-1973, the Inter-American Development Bank and the World Bank together lent Chile less than \$12 million. In the first Pinochet years, 1973-1976, they lent Chile more than \$30 million.

The Reagan administration has been particularly friendly to General Pinochet. Jean Kirkpatrick met him early on. Last September, when he celebrated the tenth anniversary of the coup, European diplomats stayed away but the U.S. ambassador was there. Indeed,

Reagan gestures have gone so far as to strain — many would say to break — the law.

A law passed by Congress in 1977 requires U.S. delegates on international lending agencies to vote against loans to countries with a consistent pattern of human rights violations: torture, for example, or prolonged detention without trial. Torture is endemic in General Pinochet's Chile. People are routinely detained and sent off to remote regions, or held without trial in prison camps.

The Carter administration, obeying the law, opposed loans to Chile. President Reagan abruptly changed that policy in 1981. He also restored Export-Import Bank financing of Chilean purchases in the United States, financing that had been cut off when the Pinochet government refused to hand over to the secret police officials who planned the 1976 murder in Washington of Orlando Letelier, the former Chilean foreign minister.

Chile is heavily dependent on foreign loans. Four new ones, totaling \$340 million, are pending in the Inter-American Development Bank — two due to come up this week. For Washington to support them at a moment of flagrant tyranny in Chile would be not only indecent but stupid. The Reagan administration has said repeatedly that it wants Chile to move toward democracy. Here is a chance to show that words mean something.

The New York Times.



Drawing by Pencho.

Africa in Decline: More Problems Than Answers

By William Pfaff

PARIS — The meeting of African heads of state held last week in Addis Ababa, amidst Ethiopian famine, was remarkable for the truths spoken. Peter Oni, interim secretary-general of the Organization of African Unity, told the meeting that "an unparalleled socioeconomic decline" is under way in Africa. "A general decline in practically every sphere."

This is not the language politely employed at gatherings of this kind. The African chiefs of state listened, voted to re-examine what can be done about Africa's economies, set up a famine emergency fund and only then passed on to predictable and futile resolutions concerning South Africa and the Middle East.

They might have taken note of a new kind of foreign exploitation that Africans suffer, notably there in Eth-

opia. Can the Soviet Union, Cuba, the United States, Israel, France, Britain — all the states that sell to Africa absurd, irrelevant, obscene quantities of arms, and sustain its wars — be thought other than predators upon impoverished Africans?

A French official active in development matters, Paul-Marie Henry, writes that Ethiopia, "which has practically no tractors at all, nonetheless disposes of several armored divisions and a sophisticated aviation." The authoritative "Military Balance" says there are three mechanized and 21 infantry divisions in Ethiopia, with more than 100 combat aircraft and, of course, numerous Soviet and other East-bloc advisers.

All this is to fight secession in Erit-

rea, which has been struggling against Ethiopian domination since at least the sixth century and is unlikely to stop now. Meanwhile, Ethiopians and Eritreans starve.

The total African population increases by nearly 3 percent yearly while food production increases at something like half that rate. The development policies followed in many parts of Africa actively reduce the continent's ability to feed itself. Traditional production is sacrificed, or artificially priced, in the interest of the urban minority and of dubious industrial development schemes. A high-technology agriculture dependent on chemical fertilizer, pesticides and foreign expertise is substituted. A profligate urbanization has depop-

ulated the land. There are 28 tropical African cities of over a million population; in 1960 there were three. Government and administration is breaking down in many of the tropical African states, often extending little more than a few miles outside major towns. The state's soldiers pillage in the name of tax collection, or simply to steal something to compensate for their own failure to be paid.

The money economy deteriorates. Only the French African Community franc has reliable value; it is coveted even in English-speaking Africa. It is linked to the French franc; the French never really left Africa. Today that is virtually the only part of black Africa that really works.

A part of tropical Africa simply is fading back out of the modern world, into which the European powers forced it little more than a hundred years ago. Sub-Saharan Africa was then a complicated cultural mosaic, in many places made up of simple hunters or gatherers' societies, or of cattle-tending nomads, or fishermen, but elsewhere of prehistoric cultures and kingdoms of formidable sophistication and aesthetic power.

None had the ability to resist European penetration and partition. The colonialists, for good reasons and bad, set out to remake the social and political structures, and the religion, of Africans. They exploited Africa for its resources, and they acted to change it in the name of emancipation and progress. They believed they were "civilizing" Africa.

Whatever they were doing, they had scarcely begun when the post-1950 tide of liberation swept them out. It was left to the Africans to take over state and economic structures that Europeans had invented, imposed, run and in the end abandoned. In too many places, it hasn't worked.

What solution is possible? Conventional foreign aid? Africa already gets more aid than any part of the world (twice, per capita, that given to Asia). The chief reason it does not get more is that no one really believes that more will make a serious difference.

It certainly would make a difference if the superpowers could be constrained to practice restraint, to leave Africa alone. Their rivalry has been one of Africa's main catastrophes.

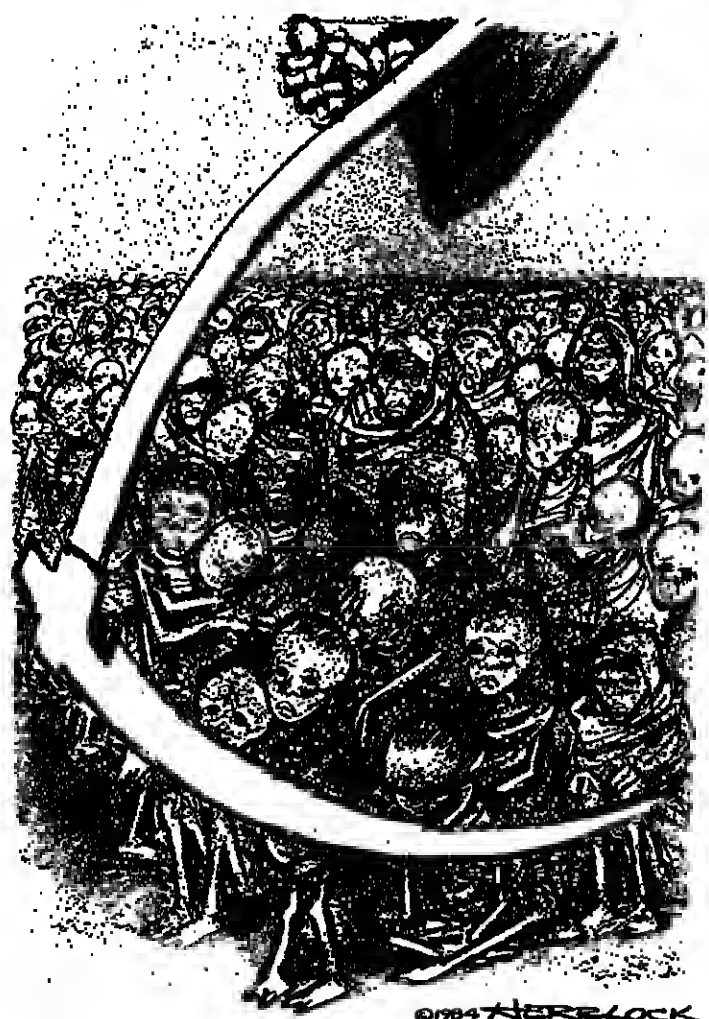
It would make a difference if the preposterous boundaries drawn by the colonial powers were adjusted to tribal reality. The war between the Ethiopians and the Eritreans, that in Chad, the Biafran war of 1967-69 and the struggle in the ex-Spanish Sahara show how unlikely that is.

Is some form of benevolent neocolonialism imaginable in the cases of the worst anarchy and social breakdown, as in Uganda, possibly under OAU or other international sponsorship? It seems most unlikely.

It might be better if some of tropical Africa's regions could return to the subsistence economy and tribal life of the past, but even that seems scarcely possible. The old way of life has been decisively undermined by a modernity that doesn't work.

No answers are evident. What is evident is that it is time for the international community to listen to what Africans like Peter Oni are saying. This is a crisis with profound consequences for how millions of people live. Europeans, above all, are implicated. It was the European powers that made the fateful choice to "open up" the Dark Continent. They could not have imagined what has followed, but they bear a responsibility.

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government. In Eritrea the People's Liberation Front continues Africa's longest war. To the south the Tigre People's Liberation Front holds 90 percent of that province. Both guerrilla fronts run separate feeding stations for those starving in the areas they occupy. But the Mengistu government controls the only paved road through the provinces, and operates feeding stations along it.

This adds up to a bureaucratic nightmare for relief agencies. The guerrillas compete with the government for what international assistance there is. Getting food to the hungry means dealing with and supplying the guerrillas.

This cannot openly be done by government or UN aid organizations, which have to work with the central government. So only non-governmental agencies (such as Britain's Save the Children Fund, Oxfam and church groups) supply the guerrillas directly. Some of these groups use private donations of cash to buy grain in Sudan or Ethiopia and truck it to feeding stations in Tigre or Eritrea. The government-controlled feeding stations, meanwhile, have been battered by guerrilla attacks.

At this point the fate of the starving is in the hands of governments. The Soviet Union, although a major food importer, is a rich country that could easily afford to buy more food for Ethiopia than the \$3 million worth of rice it has promised so far. The United States, for its part, has pledged a total of 130,000 tons, worth more than \$45 million, and Western donors in all have promised almost 300,000 tons. The Ethiopian government says 600,000 tons are needed.

Hungry peasants continue to walk from the bush into the towns along the Addis-Asmara road looking for

food. Relief workers in Korem are feeding 35,000 people, 17,000 of them children, at the Ethiopian government center there; another 110,000 live nearby for food supplies. About 80,000 people camp around Mekelle, in the government-controlled area of Tigre, and perhaps 90,000 at Alamata, where even malnourished patients on intravenous drips must leave the camp at night because of the threat of guerrilla attack.

History shows that Ethiopian peasants have always starved. But, given the warnings that the world had and the modern distribution and communications facilities now available, it can no longer be said that they must starve. Governments have it in their power to prevent the misery, if only they put lives ahead of politics.

The writer is a senior associate of the Carnegie Endowment for International Peace and author of "The Politics of Starvation." He contributed this comment to The Washington Post.

LETTERS TO THE EDITOR

No Psychosis in Bombay

Regarding the report "We Know We Will Be the Victims: Bombay's Sikhs Wait in Hiding for Violence to Spread" (Nov. 3) by Pranay B. Gupta:

We are journalists who live and work in Bombay. We were here in the city during the period preceding, during and following Indira Gandhi's assassination and have been closely monitoring events.

Contrary to the impression created by Mr. Gupta's highly speculative report, Bombay was perhaps the only major city in the country which remained calm in the wake of Mrs. Gandhi's assassination.

While it is true to say that the Sikh population in Bombay shared the trauma of the shameful violence in Delhi and other parts of the country, it is wrong to say that it covered in its homes, fearing a reprisal.

On Nov. 1, the day after Mrs. Gandhi's assassination, the streets were deserted and shops were closed not

just in the Sikh neighborhoods but in every other part of the city — because it was both a national holiday and a day of national mourning. To interpret the deserted streets as a sign of fear psychosis is irresponsible.

A. PURI, A. PAREKH, S. GUPTA, A. MATHUR, A. MOKASHI, V. SUBRAMANIAM, N. JHA, T. SETALVAD, S. BANA. Bombay.

Anonymity Respected

Amid the many complex ethical issues involved in the "Baby Face" heart transplant case, one element is quite clear. The Loma Linda Medical Center did a commendable job in respecting the ethics of the parents' request for confidentiality. In their interest and concern for the moral aspects of such cases, journalists do well to follow the hospital's example.

Prof. EDWIN L. LISSON, St. Louis University, St. Louis, Missouri.

This has been adapted from an article in The Washington Post.

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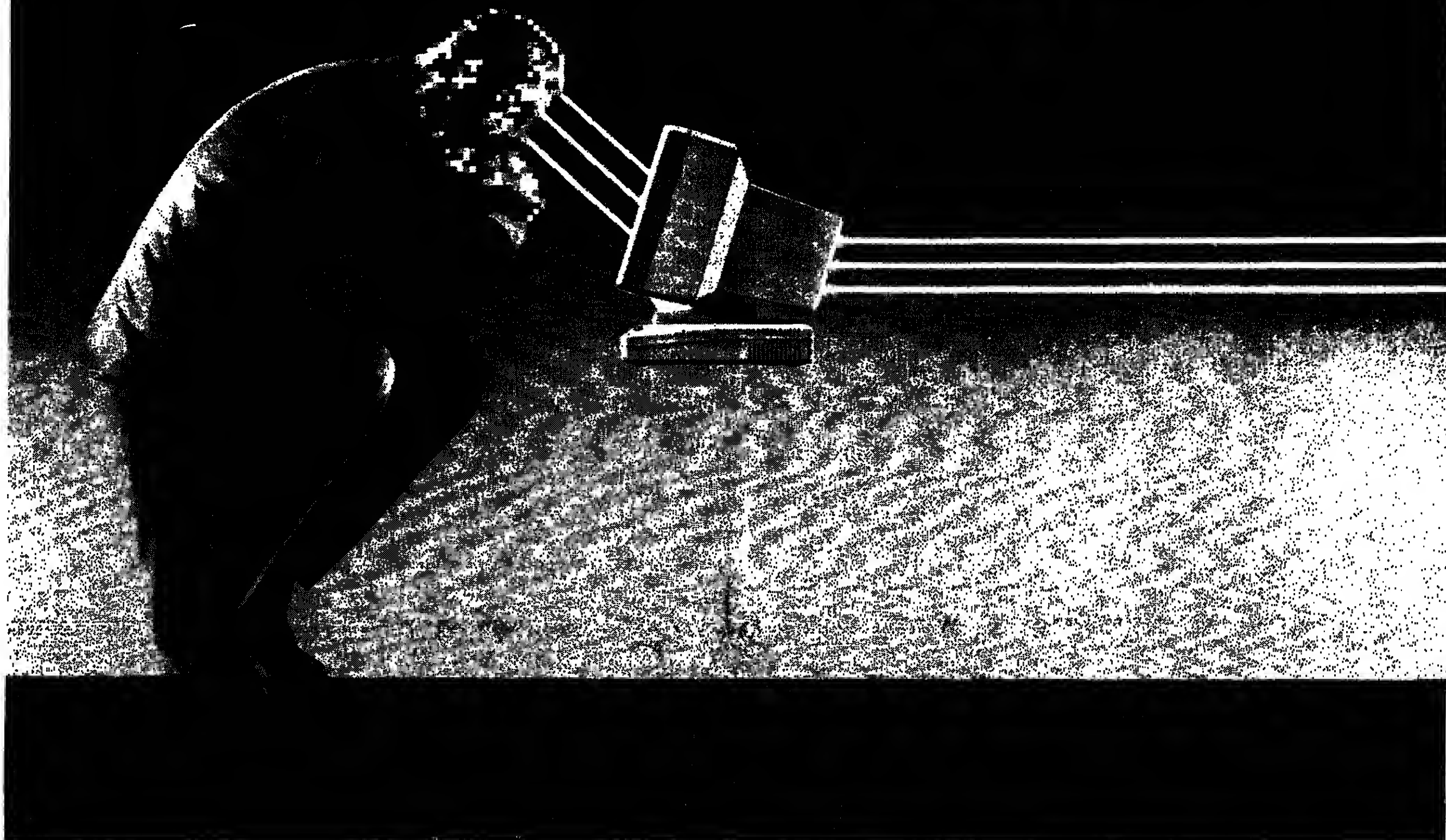
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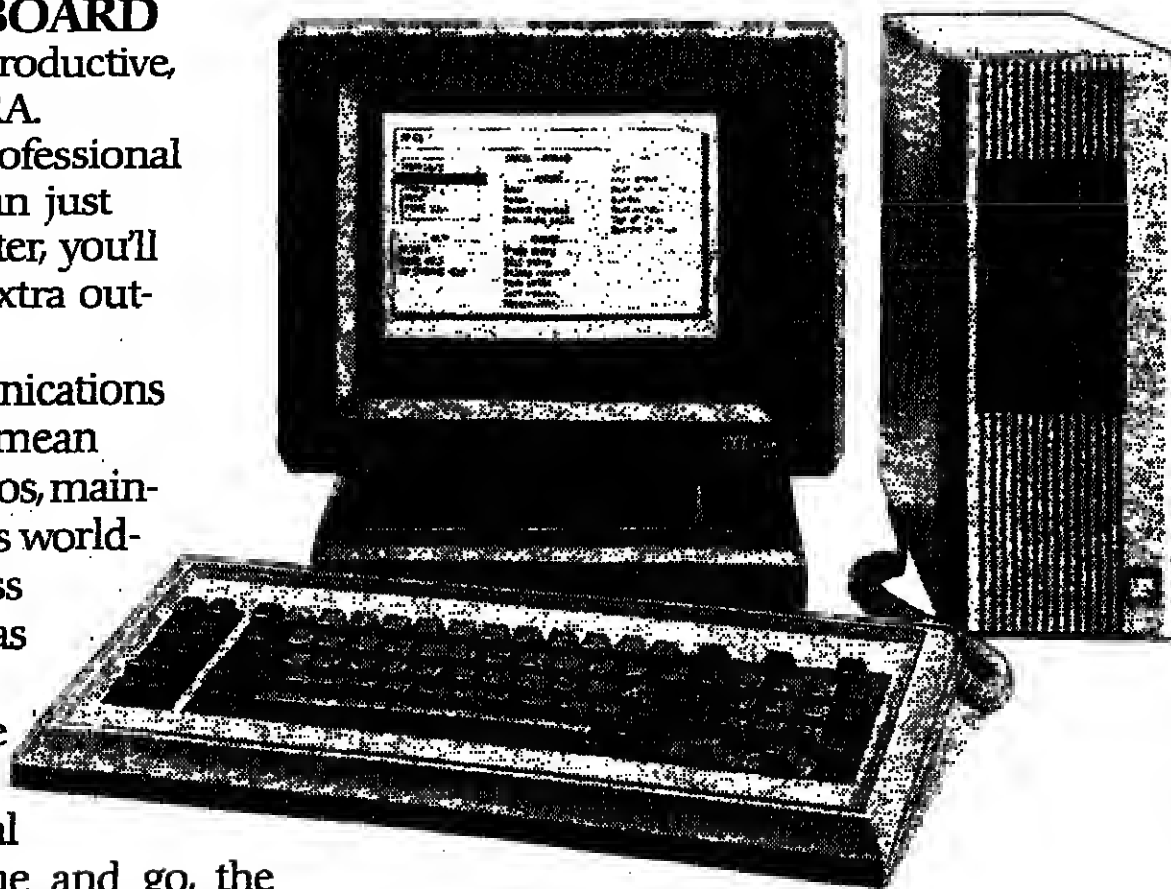
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Geoffroy Oryema: Musical Intermarriage

By Michael Zwerin
International Herald Tribune

PARIS — Someone who was once asked what age they would prefer to have lived in answered, "The 16th century with penicillin."

Geoffroy Oryema has managed something like that, combining a career performing the ancient East African folklores of his native Uganda with a career operating computer systems. It's a matter of proper tuning, a sort of yin and yang balance between different forms of concentration, which he describes this way: "I feel a certain similarity between tuning up a computer and tuning myself before going on stage."

Every night, when he was a child in Kampala, he would sit by his father's side and listen to him play the *nanga*, a seven-string harp. And when he would put his voice on top of the harp, Oryema could not forget it. "So little by little I began to build up this interest, and at the age of five I went into his bedroom and caressed the harp and I caught what I call the 'musical disease.'"

He learned the flute in school, and how to notate Western music. But Ugandan folk music is passed on by oral tradition and he assimilated the repertoire by "studying with masters." He first used music as part of an African drama company, "Theatre, Ltd.," which he created. The stage pieces he wrote integrated his Acoli tribal sounds and the sounds of other tribes with improvisation and the Stanislavsky Method into what he calls a "theater of the absurd."

"The way Stanislavsky looked at it, an actor's body is his instrument. We would make ourselves into objects, moving animals, entire tribes in migration. Each act was an improvisation. Then we added other tribal languages. There was no meaning, just sound. I guess I always was a musician first."

The troupe toured often, performing on every continent but

Australia. His mother directed a dance company, "The Heartbeat of Africa." His father was Idi Amin's minister of land and water resources. The family belonged to the ruling class of Uganda but this could be more of a disaster than a blessing under that regime.

Oryema was 24 in February 1977 when his father, another minister and the Anglican archbishop were killed in a suspicious car crash. Shortly afterwards, Geoffroy spent four hours hidden in the trunk of a car until it crossed the border into Kenya.

Exiled in Paris with his wife and child, he perfected his *lukeme* (thumb piano), flute and *nanga* techniques, while learning comput-

er technology (he now works at the International Herald Tribune). He began to perform solo, singing and playing. As far as he knows, he is the only person in Europe performing the folklores of his country.

Oryema's voice is as soothing as a lullaby, ranging from a smooth falsetto to a resonant bass. It is haunting, frequently very sad music with Oriental influences and a uniquely lilting sort of polyrhythmic swing.

Native African music is described by that mildly pejorative term "folklore," which implies "limited; dead; a museum piece." In Ugandan cities, like cities everywhere, young people play electric

guitars and synthesizers and they identify with funk and punk.

"Some of my people want to be more Western than Westerners," Oryema speaks with the same expressive, dynamic range with which he sings. "They consider their culture something to be thrown into the garbage. I feel sorry for those lost souls who are ashamed of their inheritance."

"There are two kinds of culture, the 'do' and the 'don't.' The former is discotheques, the Pompidou Center, films, TV. The 'don't' culture still flourishes in the villages of my country. It looks bad to some people because it includes certain practices like witchcraft. Westernized Africans prefer not to think about this, although it is very much alive in the villages and the countryside. But, you know, medicine men can cure certain diseases which cannot be cured by Western medicine. And they use music in their healing."

He has nothing against the currently popular marriages between African roots and various branches of contemporary Occidental music: "This is very important for mankind today. Many people, African and European, have not had the opportunity to travel. When you are stagnant in one place, reading newspapers or books does not explain it all. So musical intermarriages can help us get to know each other better. There is a place for all kinds of music. Musicians should share it with everybody. I would feel selfish if I did not give my music to others."

"People tell me it's 'primitive' so why bother because the public wants to hear modern rock. I tell them I will keep on with this music."

"Music accompanies everything in my culture. There is music to dig in your garden, to accompany the dead to their final resting place, if there is a visit by a visiting head of state, it will be sung. This music is not dead, it will never die. It is constantly changing, renewing itself. I even hear music when I am fixing a bug in a computer."

Geoffroy Oryema: Théâtre des Déchargeurs, 3 Rue des Déchargeurs, Paris, Nov. 20-25.



"There is a place for all kinds of music."

Japanese Silent Films Shown in Frankfurt

By Raymond Gijzen

Reuters

FRANKFURT — Ten Japanese silent movies from the 1920s and 1930s, forgotten for 20 years in a private collection, are enjoying a second showing here.

The restored films had lain in the Tokyo archives of Shunsui Matsuda, Japan's largest private film collector, but all are now on show for the first time outside the country as part of a festival in Frankfurt featuring 102 Japanese films.

Matsuda, in Frankfurt for the opening night of the festival, said: "Japanese directors of the 1930s were young and politically committed, but by the 1950s the commercial aspect had gained the upper hand."

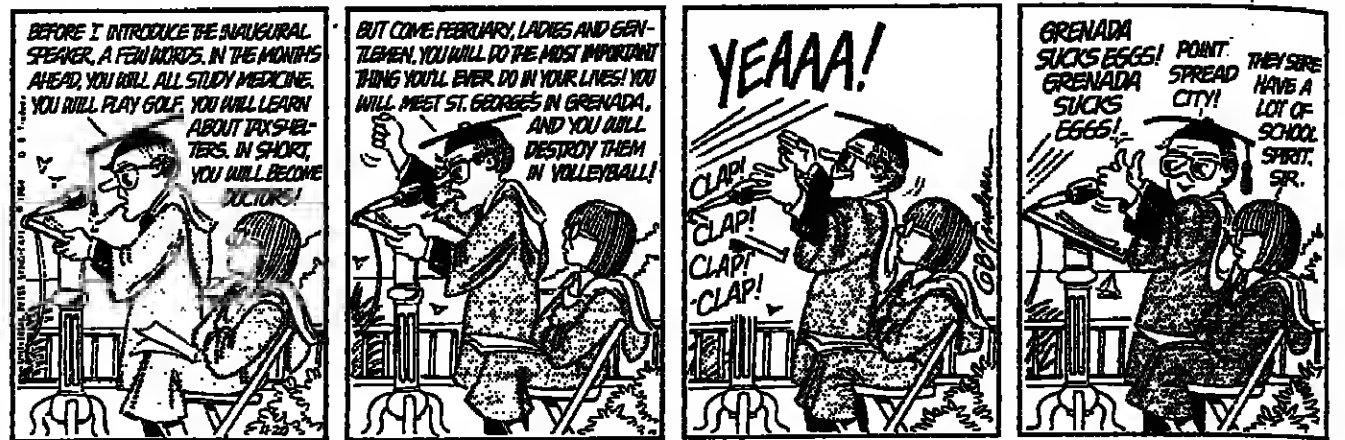
Some of the films are accompanied by original recordings of performances by the *benshi*, narrators hired by Japanese cinemas in the 1920s and 1930s to explain the pictures. With the advent of talking pictures as the 1930s progressed,

the *benshi*, one by one, lost their jobs.

But Matsuda, who is in his 60s and who says he is Japan's last active *benshi*, revived the custom on the opening night of the festival with a Japanese commentary on the 1930s film "Ono Ga Tsumi" (Own Fault).

The rest of the 102 films have been lent by Tokyo's National Museum of Modern Art and other institutions in Japan and Western Europe.

DOONESBURY



Diana's 'Do's', Donald Doings, Nouveaux Pauvres

International Herald Tribune
LONDON — London is talking about the Princess of Wales's new hairdos. In the past two weeks, Princess Diana has changed her hairstyle no less than four times, which has spurred all kinds of speculation.

Her original hairdo — short, with bouffant bangs — was the princess's signature and a much copied one. Now, all is changed. At

HEBE DORSEY

the opening of Parliament about two weeks ago, she caused a mild sensation by appearing with longer hair, gathered into a very formal chignon. Last week, when she went to Southampton to launch a new cruise liner called the Royal Princess, she looked more gamine, with her hair swept under a dashing beret — a style the press dubbed "nautical."

In between, she was photographed with still another hairdo — her face framed by soft Edwardian waves. Pretty, but definitely conservative.

All this has led fashion experts, not to mention all kinds of princess watchers, to speculate that Diana, whose style is young, personal and independent, is now giving up on being a fashion plate and is joining the royal fold. Her whole approach to fashion, including her hairdo, was said to be far too stylish in comparison with the way members of the royal family dress.

Even a cab driver could tell the difference. "Why," he said, "I saw her on the telly the other night and she's getting to look like Princess Michael of Kent. They're now wearing the same hairdo."

Some fashion experts claim that the princess yielded to practicality and that she needed a more substantial coiffure to hold all those tiaras. "For the first time," a British fashion writer ooted after Diana's appearance at Parliament, "the princess's tiara sat better on her head."

All of this was poob-poobed by Diana's hairdresser, Richard Dalton, who takes turns with his partner, Kevin Shanley, in coiffing Diana. Shanley has been coiffing



Princess Diana's waves.

Diana for seven years, well before she became Princess of Wales. Lately though, she has switched to Dalton, who is responsible for all the changes. The two have a salon called Headlines.

Dalton said the princess changed her hairstyle "because she's like any other woman. She felt like letting her hair grow."

"Yes," he said, "it was her decision and she offered no explanation. The idea that every time she changes her hairdo, it's going to establish a new style is sort of ridiculous. She simply has to be coiffed differently according to different circumstances."

Maybe what Dalton was trying to say is that there are too many Diana look-alikes running around and that this kind of fashion influence is more appropriate to a pop star than a royal princess. By changing all the time, she will put some distance between herself and her admirers. Too bad for the young women who like to identify with Diana by copying her hairdo, but, as Dalton said: "No, I wouldn't recommend the tiara hairdo to women going to the supermarket."

People are milling around the department stores. Harrods has its windows in all the colors of the rainbow. Liberty's has giant gold columns spread throughout the store.

The most unusual Christmas decorations are at Harvey Nichols, whose decorating team, Andrew Wiles and Paul Dryson, opted for black and white. This may sound macabre but it is not, mainly because it is spruced up with a lot of

rhinestones and white feathers. The general effect is very Art Deco and comes as a pleasant relief after all the jingle bells and good-old-yuletide traditional concoctions. Dyson has also been asked to decorate Covent Garden for the Dec. 20 royal gala (in aid of the National Society for the Prevention of Cruelty to Children), an unusual honor for a store display artist.

There are all kinds of new books out, including one called "Les Nouveaux Pauvres: A Guide to the Downward Mobility," published by Quartet and written by Nicholas Monson and Debra Scott, a New Yorker who lives in London.

A bunch of the *nouveaux pauvres* gathered recently at the Chelsea town hall to celebrate. Among them, the 30th baron of Kingsale, who is now a plumber, the earl of Uxbridge, who works in a London print shop, and Alastair Firth, who studied at Eton but now makes a living as a footman. He came to the party wearing his uniform.

According to Women's Wear Daily, which covered the event, *nouveaux pauvres* live in small, former gardeners' cottages in the wrong part of Fulham.

Pauvre they may be, but they have their own set of priorities that they feel are aristocratically right. For instance, they would rather pay their gambling debts than their tailors and eat an egg at a cheap restaurant. Some, like Monson, would



Tiara hairdo from rear.

rather wear exquisite clothes than eat.

There was no trace of *pauvre* at Annabel's last Saturday evening, as Lily Safra (whose husband, Edmond, is an international banker) gathered 130 socialites from all over the world to celebrate her 50th birthday. Mica Ertegun, John and Susan Gutfreund and Jerry Zipkin came from New York; Hélène Rochas, Dréda Mele and Kim d'Estainville bopped in from Paris, and Anita Smaga came from Geneva.

There was a Brazilian band and eggs with caviar, and the women guests were treated like princesses. They had no hairdressing problem whatsoever as Safra had the delicate idea of flying in her own hairdresser from Rio de Janeiro.

Italian Leftist's Play in N.Y.: Too 'Silly' to Be Incendiary

By Frank Rich

New York Times Service

NEW YORK — Until the State Department at last lifted its ban and granted him a visa this month, the leftist Italian playwright Dario Fo was deemed too incendiary to be admitted into the United States.

Theatergoers who visit the first Broadway production of a Fo work, "Accidental Death of an Anarchist," at the Belasco, can't be blamed if they wonder what all the fuss was about.

This is an evening of strained silliness that defies even the Herculean efforts of its star, the gifted English actor Jonathan Pryce, to galvanize it. Pryce, a perfect-pitch mimic, often seems to be playing all the Marx brothers at once: Every time there's a lull in the proceedings — which is to say during all of Act I and most of Act II — he will instantaneously try on a new wig, accent, costume and nutty personality.

Fo's play was inspired by an unsavory incident that happened in Milan in 1969. An anarchist train worker, charged in a terrorist bombing, mysteriously fell to his death from a window at the police headquarters where he was in custody.

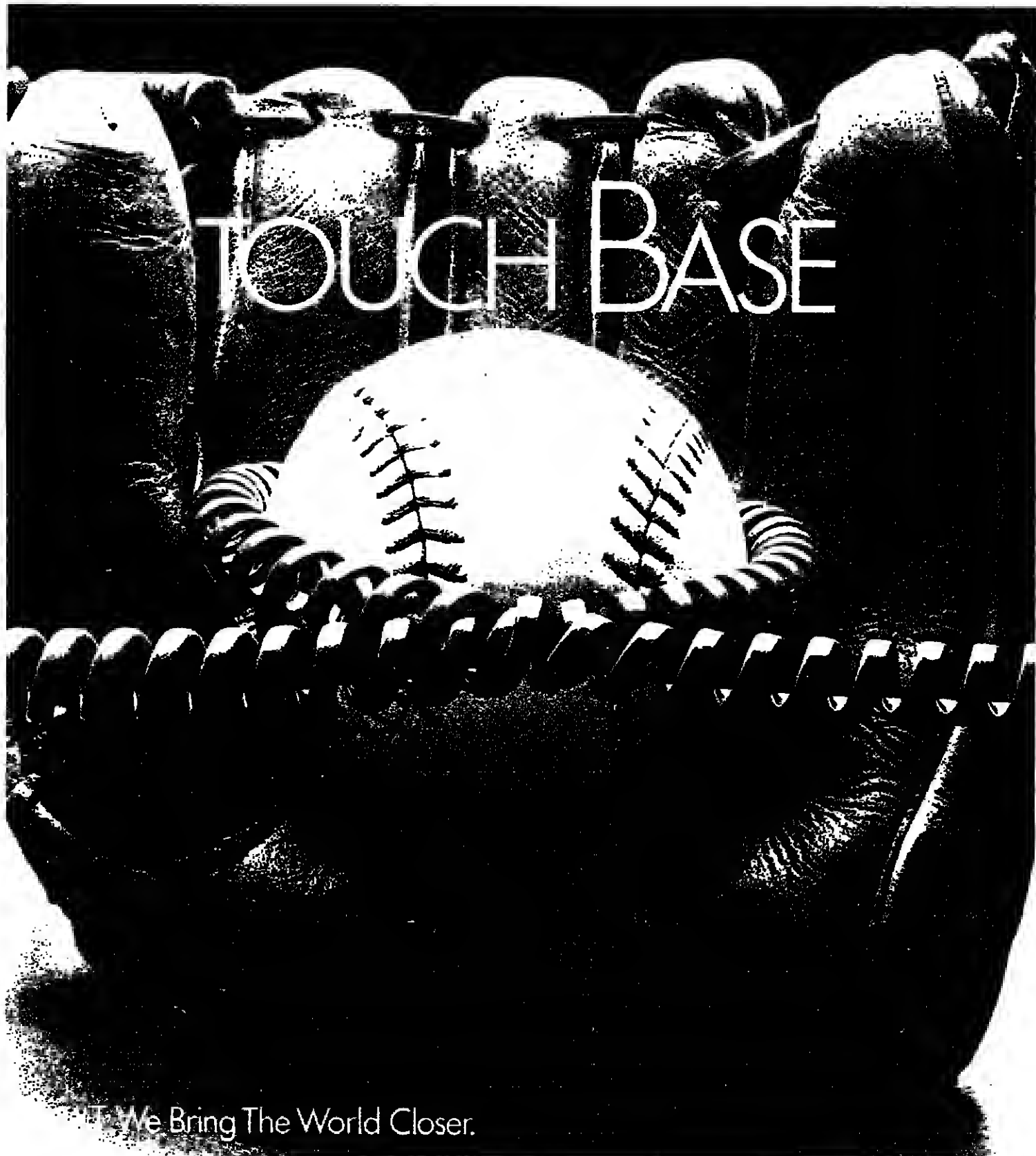
"Accidental Death" is always Pryce's show, and from his charming opening monologue to his climactic appearance in an array of prosthetic devices, he never stops working to make us merry. Were anyone to try to revoke his visa, I'd make a federal case of it.

Pryce plays a lunatic confidence man, known only as "The Fool," who visits the site of the anarchist's fall. This Fool is a brilliant quick-change impostor: By impersonating a variety of characters, including a high-level judicial authority and a bishop, he tricks the addled police into reopening the anarchist's case and revealing all the doctored transcripts, false alibis and undercover schemes.

The frantic, often inelegantly executed slapstick bits were presumably devised by the director, Douglas C. Wagner. The characters repeatedly stamp on one another's feet, and when all else fails, don women's wigs and march around singing, "Look for the union label."

Yet, for all these shenanigans, the director never figures out how to use the clown Bill Irwin, who plays one of the Milanese policemen. Why cast Irwin, the most accomplished physical comic our theater has produced in years, and then give him almost nothing to do?

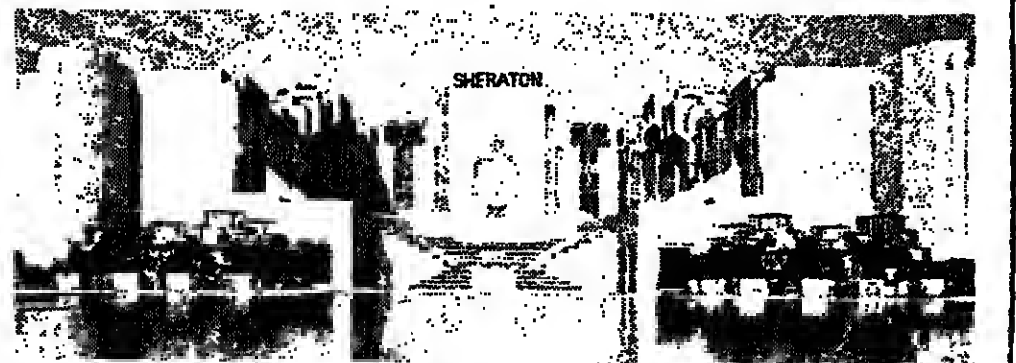
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LATIN AMERICAN TRADE

A SPECIAL REPORT

TUESDAY, NOVEMBER 20, 1984

Page 9

Barter Trade Rises As Debts Impose Limit on Imports

By Robert Henriques Girling

BERKELEY — A wave of countertrade is sweeping over Latin America. And companies wishing to do business with Latin America are having to adapt to a wide variety of barter and swaps. In the last few years, barter has grown to about 15 percent of all world trade.

Among some of the major deals are:

- Costa Rica and Nicaragua have worked out an estimated \$5 million in barter this year. Costa Rica will export containers, drink concentrates, dry-cell batteries and adhesives in exchange for Nicaraguan polyvinyl chloride and caustic soda.

- Brazil's Campanha Vale do Rio Doce agreed late last year to supply Malaysia with 300,000 tons of iron ore for 10,000 barrels of oil per day, about 1 percent of Brazil's consumption. The agreement will last five years.

- During the last year Ecuador traded coffee and bananas for jeeps, milk, urea, tractors, cattle, data-processing spare parts and refrigeration equipment for the fresh-seafood sector.

- Ecuador traded bananas for \$470,000 worth of cattle from the United States.

- Colombia, in ongoing negotiations, is offering coffee in return for construction of a naval base. France, Sweden, Britain and Brazil are competing for the contract.

- Last year Uruguay traded beef for \$20 million worth of telecommunications equipment from Italy.
- Jamaica traded 1.6 million tons of bauxite to the U.S. govern-

ment in exchange for 9,000 tons of surplus dairy products and some cash.

The surge in barter contracts began about 1980. There are several reasons for the growth in barter trade, but the primary one is the debt crisis, which left Latin American countries with acute shortages of foreign exchange and international lines of credit. For an increasing number of Latin countries — like the Dominican Republic, which owes suppliers nearly \$1 billion — countertrade is the only available source of trade credits.

Barter also allows countries to separate trade financing from their balance of payments.

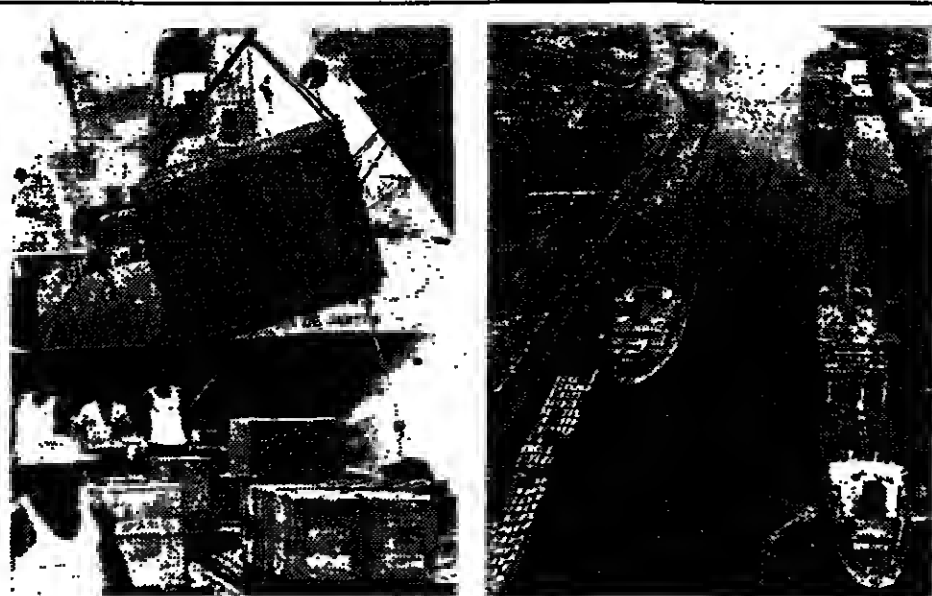
And countertrade allows countries to push their goods onto world markets despite generally low demand for raw materials and some products, it provides countries with access to the sophisticated marketing networks of multinational corporations, and it allows countries to fight protectionism in developed countries.

The drive to preserve or enhance market shares in the present credit-constrained environment is compelling Western exporters to develop creative marketing and financing strategies. To help U.S. exporters, the Department of Commerce is about to release a report "International Countertrade: A Guide for Managers and Executives."

A further stimulus to barter trade is the heavy hand of the International Monetary Fund. The IMF has required that debt-ridden Latin countries cut their imports, generally by 20 percent, before it will provide extended financing. Barter provides a convenient escape for countries and businesses to acquire needed imports, thereby avoiding IMF strictures. Barter deals nor-

(Continued on Next Page)

Robert Henriques Girling is a countertrade specialist with International Management Services of Berkeley, California, and professor of international business at California State University at Sanoma.



Exports and imports: Loading exports at Santos, Brazil, left; oil being unloaded at the port of Buenos Aires, right.

Debt and Low Commodities Prices Leave No Alternatives to Austerity

By David Ernst

WASHINGTON — Latin American countries are going to have to dig their way out from their debt the hard way — by transferring real resources to their creditors. The prices of many primary commodities exported by Latin America have been hit hard by disinflation, cutting export earnings, aggravating the debt crisis and leaving little choice besides the austerity programs now in place over much of the continent.

Despite rapid industrialization during the 1970s and average gross national product growth in excess of 6 percent in inflation-adjusted terms, the Latin American nations still received half of their export earnings from about 11 commodities in 1982. The focus of commodity exports has shifted toward oil and away from other products, but this is no blessing given the current turmoil in the world petroleum market.

The lack of diversification is even more striking on a country-by-country basis. For example, Mexico, Venezuela, Ecuador and Trinidad and Tobago earned more than 40 percent of their export reve-

David Ernst, an international economist, is vice president of Evans Economics, Inc., in Washington, D.C.

nue in 1982 from oil; Colombia, Costa Rica, El Salvador, Guatemala, Haiti, Honduras and Nicaragua earned more than 20 percent of their total export revenue from coffee. Chile depended on copper for 45 percent of export receipts; sugar provided the Dominican Republic and Guyana with more than a third of their exports.

Much attention has focused on the role of high interest rates in aggravating the debt service burden of Latin America. For the debt service ratio to remain constant, export growth must equal the growth of interest costs from higher interest rates or additional debt. Yet, during 1980-1983, Latin American exports stagnated while the cost of money as measured by the U.S. prime rate soared to an average of 14.9 percent. This was a tremendous setback from the 1970s, when the U.S. prime rate averaged 8.1 percent, compared to Latin American export growth of nearly 20 percent per year.

On top of the direct effect on debt repayment, high real estate rates have a major impact on Latin America through commodity prices and export earnings. The combination of high normal interest rates and falling inflation discourages the holding of stocks of commodities for legitimate purposes as well as speculation. And since about 70 percent of

(Continued on Page 11)

Restructuring for Growth After the Ravages of Debt

By Pedro-Pablo Kuczynski

NEW YORK — As the Mexican and Brazilian debt crises of 1982 slowly recede from memory, one gets contradictory impressions of what is happening in the economies of Latin America.

On the one hand, there are several positive features: long-term refinancing and debt amortization by international commercial bank lenders, the recovery of exports — especially manufactures, the continued drive to adjust or tighten the belt internally, and the resulting buildup of large trade surpluses and of international reserves. On the other hand, the interest payments by the region on its external debt still are extremely high and will be equivalent in 1984 to about 47 percent of merchandise exports; inflation is rampant in Argentina, Brazil and Peru; and productivity remains severely depressed, despite some signs of revival in export-related manufacturing.

Will the 1980s be the lost decade of Latin American growth? Certainly, even with fairly strong growth in 1985-89, it would not be until the end of the decade that Latin America would have recovered the per-capita income it had in 1980. In the meantime, it has fallen by close to 15 percent. The effect of the balance of payments has been highly positive, as imports have plummeted by about 40 percent in dollar terms since 1981. But the social cost has been high. The few numbers available suggest widespread unemployment, increasing malnutrition and infant mortality, and, in general, a dramatic drop in the purchasing power of urban low-income groups.

It would be innocent to think that such trends will not lead to

Pedro-Pablo Kuczynski is co-chairman of First Boston International and managing director of The First Boston Corp. The views expressed in this article are personal.

political stress. The question is whether growth can resume soon enough to limit these effects and enable the major debtor countries to restructure their economies along more efficient lines, avoiding the huge state-directed investments that result from the easy money of the 1970s. There is an urgent need to promote growth in the private sector through a badly needed emphasis on agriculture, efficient import-substitution and especially export-led growth. There are certainly encouraging signs in most of the big debtor countries that these are indeed the policies pursued by governments, but the jury remains out on whether economic

(Continued on Page 12)



Sorting potatoes on a farm in Patagonia, above; selecting nutmeg in Grenada, below. Agricultural exports are vital for Latin America.



Cotton Crocker/National Geographic

Trade Figures Show Recovery Beginning

By Charles F. Meissner

NEW YORK — By definition, trade credits are those international credits extended with a maturity of one year or less — and specifically tied by documentation to a trade transaction. They are essential to economic recovery because they represent the foreign exchange "working capital" of the external sector of a national economy.

In Latin America, adjustment and economic recovery have begun. The recovery can be seen from U.S. trade statistics. According to the U.S. Department of Commerce, imports from Mexico, the Caribbean Basin and South America grew

19.8 percent in the period January-June 1984, compared to the same period a year earlier. Imports from Brazil expanded 52 percent, Ecuador 38 percent, Venezuela 36 percent and Peru 30 percent. These U.S. imports largely reflect greater purchases of manufactured goods and petroleum. It is important to note, however, that overall trade has not recovered to 1981 levels, due primarily to the reduced level of the U.S. exports to the area. The U.S. trade deficit with the area for the first six months of 1984 was \$10.3 billion.

To identify the role of trade credits in this recovery is difficult. They are elusive on two counts. First, they are statistically elusive. Being one year or less in duration, they are not directly recorded in balance-of-payment flows. Nor are they openly apparent in international banking, which record cred-

its due in one year or less, regardless of original maturity. Also, suppliers' credits, which are assumed to be at least 25 percent of trade credits, are not centrally registered at all. Trade credits are a little like the wind; when the sails billow, you know they are present.

Secondly, like the wind, their presence can be capricious. Because of their relatively short maturity, a common pattern has been repeated over and over again in Latin America. As a country approaches an international payment crisis, its external creditors become cautious and attempt to shorten the maturities in their portfolio. The country, not being able to get long-term credit, begins to finance more and more of its external sector on short-term credit. Countries soon find themselves faced with a maturity structure where 40 to 50 percent of the external debt was due

within the year. Such concentration of debt made repayment impossible and restructuring inevitable. Sound micro-credit practices by banks contributed to macro-restructurings by borrowers.

In the Paris Club, the creditor government multilateral debt-restructuring forum, the preservation of short-term credit is considered so essential to economic recovery that the creditor governments refuse to restructure this type of credit. Instead, they prefer to restructure larger amounts of long-term amortizations and interest in an effort to preserve foreign exchange for debt service in short-term commercial transactions necessary for economic recovery.

The bank advisory committees handle trade credits differently. Being concerned with the withdrawal of trade credits, as well as with

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Marketplace at St. George's, Grenada.

Caribbean: Trade Link to United States

By Kevin P. Power

WASHINGTON — The Caribbean Basin, two dozen territories in the Caribbean and Central America, is about to reap substantial economic benefits from its location as a link between the South American continent and the United States.

Although the waterways in this region have long been considered vital shipping lanes, until recently the countries there seldom played an active role in the trade passing by its doorstep. The islands in the Eastern Caribbean made ideal transshipment points for the estimated two-thirds of the U.S. oil imports coming through its waters.

Kevin P. Power is the author of "The Caribbean Basin Trade and Investment Guide."

Oil companies have used Caribbean locations to refine the crude before shipping on to the United States.

While the islands will no doubt continue to serve this role in the future, there are a number of factors at work that will stimulate business.

Officials at the U.S. Department of Commerce's Caribbean Basin Business Information Center credit the Reagan administration's Caribbean Basin Initiative (CBI) with creating a tremendous amount of interest in the Caribbean since its announcement more than two years ago. Although it did not become effective until January 1984, the CBI has drawn attention to the Caribbean from businessmen around the world.

The CBI grants duty-free status for a period of 12 years to all products — except rum, oil, leather goods and tuna — entering the U.S. market provided that 25 percent of their value is added in the Caribbean. CBI trade for the first six months of 1984 totaled \$298 million, small in relation to total 1983 exports to the United States from the Caribbean Basin of \$9 billion, but significant so early on.

While the CBI has been a good catalyst, other indicators point to a continuing interest in the Caribbean. The countries in this region have long realized the importance of extraregional trade and have incorporated incentives in their development plans to encourage the establishment and maintenance of industries exporting nontraditional products. These incentives include,

among other things, tax-free holidays, low factory rental rates and freedom from exchange controls and import duties on raw materials for free-zone operations.

The Caribbean Basin also is gaining trade advantages with the United States at a time when many other countries are losing theirs. In March 1984, William E. Brock, the U.S. trade representative, announced that \$11.9 billion of U.S. imports would no longer qualify for duty-free treatment under the Generalized System of Preferences.

While CBI trade is just beginning, there are indications that its impact is being felt across the board. GSP imports from the Caribbean increased by 30 percent for

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A SPECIAL REPORT ON LATIN AMERICA

Mexico Needs Structural Changes to Realize Its Export Potential and Growth

By William A. Orme Jr.
MEXICO CITY — A leading government economic strategist, known for his insistence that Mexico must develop an aggressive export sector, was invited to address a private-sector meeting here early this month on "Mexico: An Industrial Power of the Future." Bluntly challenging the premise of the conference, he suggested that without profound structural changes the Mexican economy may never realize its international trade potential.

Decades of protectionism domestically have led "to a lack of competition in the private and public sectors that has [also] kept us from being competitive in the international arena," warned the strategist, René Villareal, one of Mexico's deputy commerce and industry ministers.

"We have the capacity to be technologically advanced," he said, but added that the country had yet to adopt the infrastructural and industrial improvements essential "to the achievement of necessary international standards of competitiveness and efficiency."

Mr. Villareal is the chief architect of the government's five-year plan for developing new export-oriented industries. If Mexico is to resume steady economic growth while meeting its foreign debt payments of \$10 billion a year, the country's income from manufactured exports must increase at least 10 to 13 percent annually through 1988, according to the plan, which was formally adopted last April.

If the plan is successful, Mexico's manufactured exports by 1988 will pay for half the country's manufactured imports. In 1980, the government notes, they paid for only 25 percent.

Mr. Villareal and his economic planning colleagues emphasize that if Mexico is to wean itself from its dangerous dependence on oil earn-

ings, new export industries are needed urgently. Petroleum exports account for two-thirds of the country's foreign exchange income, giving Mexico's positive trade balance a precariousness that was highlighted anew by the latest tremors in the world oil market.

To avert a price collapse, Mexico this month joined the export production cut of the Organization of Petroleum Exporting Countries. A reduction of just \$1 a barrel would deprive Mexico of \$550 million in anticipated annual hard currency intake, an amount greater than its total earnings from such leading agricultural exports as coffee or tomatoes.

Only by developing a wide range of profitable export ventures, argues Mr. Villareal, can Mexico end its reliance on foreign lending and its vulnerability to the vagaries of the world energy market.

But such a step would require private and state industry leaders to decide where Mexico enjoys true competitive advantages, to anticipate protectionist barriers to their intended export markets and to invest scarce capital in imported technology.

It also would demand tough political decisions about foreign investment restrictions and steep tariff walls in a country where business leaders ostensibly oppose both but often ignore their philosophical objections in pragmatic defense of their economic interests.

Echoing Mr. Villareal's message, a deputy industrial development minister, Mauricio de María y Campos, said this month at an assembly of Mexican electronics manufacturers — a group almost totally shielded from direct foreign competition — that they must soon begin investing the "effort, investment and technological development that will give us international competitiveness."

Electronics companies unable to survive without the continued aid of subsidies and tough import barriers "will have to get out of the market," Mr. de María y Campos said.

Some government reports recently have emphasized spectacular statistical indications that Mexico is on the road to export success. The short-term accomplishments of Mexican exporters, spurred by a depressed domestic market and a newly competitive exchange rate, do appear encouraging.

In the first half of this year, officials point out, nonoil export earnings jumped 34 percent above the record levels for the first half of 1983. The officials note that for the first time Mexico is shipping out significant quantities of such high-tech items as synthetic textiles, specialized steel pipe and petrochemicals, and a growing volume of automobiles and other finished capital goods.

Chrysler expects to earn \$470 million this year from foreign sales of Mexican-built cars. Volkswagen is shipping auto kits from Mexico to Nigeria, and General Motors — which, like most Mexican automakers, began exporting only last year — predicts it will ship more than 25,000 vehicles from Mexico next year. Ford is building an auto plant in northwestern Mexico that beginning in late 1987 will assemble about 100,000 cars a year for the U.S. and Canadian markets.

Mercedes-Benz is considering investing in a truck and bus manufacturing plant in Mexico.

Of even greater long-term significance, some analysts say, is the growth of the export-oriented auto parts industry. Nissan, Renault and the Big Three U.S. automakers are building engines in Mexico for export. Secondary auto parts suppliers make up one of the fastest growing industrial sectors in Mexico's northern duty-free border manufacturing zone, where businesses exporting their entire production are spared from import duties and most other taxes.

This turnaround has been profound enough that Mexico could absorb the cost of an oil price cut, some finance officials said. After posting an unprecedented \$13.7-billion trade surplus in 1983, the country anticipates a positive balance of \$15 billion in 1984, a deputy

treasury minister, Francisco Suarez, said last month.

Earlier this year Mexican officials had predicted a 1984 surplus of closer to \$11 billion. But the trade balance for 1984's first semester, reflecting a greater volume of exports and fewer imports than originally expected, was \$7 billion in the black, 4 percent better than last year's figure.

In the seven months from January through July, the most recent

period for which statistics are available, Mexico collected \$3.2 billion from nonoil exports, up 31 percent from the similar period last year, the government has reported. Most encouraging to analysts was the \$2.46 billion in manufactures, a 29-percent increase over earnings from the seven months last year. Income from farm exports climbed 31 percent to \$1.03 billion while the mining sector, financially the soundest of Mexico's private industries,

improved earnings 48 percent to \$330 million.

Yet some private-sector experts contend that the gains may be deceptive. "It is doubtful that this situation can last," said Fernando Gomez, president of the national foreign trade council. "These figures represent temporary export, not permanent structural changes in the economy."

Mr. Gomez and other analysts argue that Mexico's recent export

performance has been distorted by recession, with many manufacturers shipping abroad products that were intended for the local market and will again be sold domestically when the economy revives.

"We are still amateur exporters, and we need to become professionals," said Pablo García Barba-chano, former head of international operations for Ingenieros Civiles Asociados, Mexico's largest construction company.

These governments should, of their own volition, establish repayment structures that regularize this debt for this class of creditors. In doing so, they will enhance the possibility of attracting new credit.

Secondly, the creditworthiness of many Latin American countries would be greatly enhanced if the market interest rate of the dollar would decline to its long-term historical trend of 2 to 3 percent over the U.S. economic rate of inflation.

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Trade Figures Show a Latin American Recovery

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some banks' escaping restructuring while others stay to carry the burden, the committees usually have agreed to the freezing of trade facilities. Each country, where a trade facility is included in the restructuring agreement, has its own tailored solution. However, the basic objectives remain the same — the preservation of credit access for the operation of external commercial transactions.

How to re-establish a voluntary market in export credit to an individual debtor nation is extremely difficult. It is no secret that bankers lend money to those that have money. The issue, therefore, is how to re-establish the creditworthiness of a debtor country, i.e., market confidence that it can generate the foreign exchange necessary to service its debt. The first step is to generate a current-account surplus by reducing imports and expanding exports.

The second step is to rebuild its reserve position so that the central bank can accommodate, from its own accounts, mismatches between foreign-exchange payments and receipts. In essence, a debtor must

substantially finance itself before the international market will again volunteer credit.

This is not an easy task. Only Mexico has recovered to this point among the Latin American countries currently restructuring their external debt. The October 1, 1984, Frost and Sullivan semi-annual 180-Day Foreign Credit Advisory Survey indicates that among all the major national economies in Latin America only in Mexico is a larger proportion of creditors offering better terms than harder terms. Of the 19 countries surveyed, creditors indicated the credit conditions of Panama as good, Mexico and Colombia as fair and all other countries as poor or extremely poor. Re-establishing market confidence will be difficult.

In Latin America, the real test of the international financial system is just beginning. Mexico now needs more imports to generate more exports. The financial plan presented by Mexico to its bank advisory committee envisions the raising of \$1.6 billion in "voluntary" international credit in 1985 from both private and official sources. The need for this sum may

be covered by reserves or negated by other shifts in Mexico's external accounts. However, should Mexico decide to raise medium-term funds on the international capital market in 1985, how the market reacts will be important. First, a lack of market confidence in lending medium-term funds may impinge on Mexico's newly gained access to trade credits. Secondly, the reception of Mexico's re-entry to the market will have a psychological impact on the capability and timing of other

Latin American countries raising medium-term international capital. Two postscripts to the above thoughts are necessary. First, it should be noted that one area of trade credit lies almost ignored in the debt-restructuring process — suppliers' credits. Unlike banks, suppliers cannot easily organize to open renegotiations with a debtor country. They do constitute, however, an important source of trade credit and they should not be ignored by debtor governments.

These governments should, of their own volition, establish repayment structures that regularize this debt for this class of creditors. In doing so, they will enhance the possibility of attracting new credit.

Secondly, the creditworthiness of many Latin American countries would be greatly enhanced if the market interest rate of the dollar would decline to its long-term historical trend of 2 to 3 percent over the U.S. economic rate of inflation.



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Caribbean: Trade Corridor to U.S.

(Continued From Previous Page)

the first half of 1984, South American exports to the United States, \$20 billion in 1983, dwarf the volume of U.S.-Caribbean trade; yet future trade figures can be expected to show the results of greater linkages between business sectors in both areas. Puerto Rico, which is considered the main distribution point for goods entering the Caribbean Basin often are considered to be comparatively high compared to other Caribbean islands in excess of 20 percent for the last decade.

Shipping services in the Caribbean Basin, with the exception of the Eastern Caribbean, compare favorably with the rest of the world in terms of frequency of calls, ship capacity, specialized equipment for loading and unloading, and the rate structure. The main advantage of shipping from the Caribbean Basin

is its proximity to the U.S. market. Sailing time to the United States averages about seven days, compared to 15 days for goods coming from the Far East. Because of this, companies can work with reduced inventories, thus lowering carrying costs.

According to Pam Diehl, manager of development for the Caribbean and Latin America at Sea-Land Services, Inc., the costs of shipping in the Caribbean Basin often are considered to be comparatively high compared to other Caribbean islands in excess of 20 percent for the last decade.

Nontraditional exports of fruits and vegetables require refrigerated

container capacity, which is more expensive than regular trailers. Since these countries do not import large amounts of food requiring refrigeration, the trailers are brought into port empty for refrigeration of an outbound shipment. And although the ocean transportation portion of rates today are generally the same or lower than they were in 1977, port and handling charges are often much higher. This is partly a result of servicing debt on borrowing undertaken for port capital improvements.

There is considerable potential for joint trade or production opportunities between the Caribbean Basin and South American countries. Puerto Rico's endeavors in fostering "twin plants" to share production with other Central American or Caribbean countries could serve as a model for South American countries wishing to take advantage of the CBI.

Import Limits Spurring Barter Trade

(Continued From Previous Page)

ally are not registered in the balance of trade, consequently, they permit countries to continue to import and maintain their economic growth in the face of the IMF's deflationary prescriptions.

Barter deals come in several varieties and a host of terms are used to describe them. Most do not involve a simple swap of goods for goods of equal value.

Counterpurchase involves parallel sales agreement in which the supplier sells a product in exchange for unrelated products. A typical example was Chrysler's exchange of several hundred vehicles in exchange for aluminum from credit-starved Jamaica. An U.S. bauxite company provided the aluminum to the government's Bauxite and Alumina Trading Co., which shipped it to Metallgesellschaft, a German metals company. MG sold the alumina to a refiner, depositing the cash in the European American Bank. EAB then sent part of the money to Bauxite and Alumina Trading to pay the mining companies. The balance went to finance a letter of credit made out to Chrysler, which then shipped the cars to Jamaica Commodity Trading Co., which in turn sold the cars to Chrysler's local distributor. Without this circuitous deal, Jamaica would have added the alumina to its unsold inventories and Chrysler would have sold fewer autos.

Countries seeking to expand their industrial infrastructure find compensation agreements to be an ideal mechanism. The seller of technology of a turnkey factory agrees to take back a portion of the resulting products as payment. One outstanding example is a joint venture between the Peruvian company Mineroper and Marubeni of Japan. In return for a \$35-million loan to develop a copper-mining complex, Marubeni takes 70 percent of the mines annual output.

Another variety is economic cooperation agreements (ECA), which typically last 10 or 15 years. The Canadian government agreed under an ECA to exchange Mexican oil for a wide range of industrial technologies, including technology for processing petrochemicals, wood products, food, coal mining and oilfield development as well as electric power-generation equipment.

With the growing need to participate in countertrade, Latin American countries are passing legisla-

tion that formally endorses and encourages countertrade. Ecuador has a well-developed set of rules governing countertrade. One government official said: "The use of countertrade is the primary tool for doing business in Ecuador because of the foreign-exchange shortage."

The president of the Dominican Republic recently issued a decree that endorses countertrade operations. Under the decree, countertrade arrangements will be reviewed and approved through the award of a special barter license.

In view of the increasing role of countertrade and the prospect of vast profits, banks are jumping in. One Paris merchant banker said: "We have one man and a secretary working on this trade and we are happy when he brings in \$1 million a year in fees." Bank of America is a recent entrant to the growing field. Through Bank of America

World Trade, established in February, it provides a range of services to customers needing assistance on countertrade deals. The office was established in response to a growing number of requests from customers.

The surprising consequence of the surge in barter is the stimulus it has provided for trade between the developing countries. Countertrade provides an avenue for developing countries to continue their industrialization in the wake of a declining world market. It provides an outlet for manufacturers in the industrialized nations to sell inventories without compromising wholesale values. It is an important solution for developing countries short of cash and marketing skills. As more Latin American nations write countertrade laws, it will become an essential component to all future trading.

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A SPECIAL REPORT ON LATIN AMERICA

Getting the Exports to the Markets

By Joan M. Feldman

WASHINGTON—South America's export potential is staggering. In 1983, the 10 nations of the continent shipped \$40.6 billion worth of goods and services. The resources exist for much more, but the potential will not be realized without a dramatic improvement in transportation facilities.

There is no future for Latin America if it cannot deliver its goods to ports at a competitive world price, said Miguel Martínez, a World Bank official. According to his calculations, South America is only one-fourth along the way toward achieving the infrastructure necessary to reach its export goals.

South America hardly lacks transport. Brazil, for example, had more than 21,000 kilometers (13,020 miles) of rail line installed by 1910. Much of that was designed to aid coffee shipments. More recently, transport projects known as "export corridors" have helped products such as soybeans get to markets. Brazil is the No. 2 exporter of that crop, behind the United States, with the help of surface transport construction. Also, manufactured exports have risen several times in countries such as Argentina, Brazil, Colombia, Chile and Peru because of new infrastructure.

But the continent is so big, and its geographical barriers so imposing, that there are vast reserves of minerals, oil and gas and huge supplies of agricultural commodities nowhere near railroads or ports. Billions of dollars of investment are required.

The situation sometimes is so desperate that it breeds outlandish solutions. There are, for example, huge mineral resources in landlocked Bolivia, which depends principally on two rail links, in need of repair, via Chile for its outlets. Thus, a past study, written by "earnest nuts," according to a

World Bank official, to transport minerals by zepelin across the Andes.

Brazil is almost as big as China. The giant Carajas, or "iron mountain," project illustrates the effort required to develop exports. Carajas is said to have an annual capacity of more than 35 million tons of ore, but Carajas also lies 900 kilometers from the sea. It has taken approximately \$4 billion to develop the railroad, the mine, the port and other facilities necessary to bring the ore to its export departure point, San Luis.

Of the total, \$1.7 billion was spent on the railroad. It is the World Bank's biggest export-financing project. But the bank is not the sole source of the funds. Several companies around the world, as well as the European Iron and Steel Community, signed contracts guaranteeing purchases. First exports, originally slated for 1986, may occur ahead of schedule.

One Latin American export suffering from lack of proper infrastructure is Argentinian grain. Argentina's wheat production is increasing, due in the fairly recent introduction of fertilizer. But, while production is increasing, exports are not keeping pace. The problem: a too-shallow harbor at Bahia Blanca on the Atlantic coast. A 30,000-ton ship is the biggest the port can accommodate.

Expansion of Bahia Blanca is only one of many projects that could help increase South American exports. But the World Bank has become more hard-nosed lately, particularly in the rail field. It has spent more of its transportation money on Latin American railroads than on any other form of transportation in any other region of the world. But it got burned several times and has stiffened its criteria. That, combined with the financial problems of the less developed countries, may mean that some of them will never reach their potential.



A worker in a Brazilian textile factory.

Keeping a Wary Eye on Moves in U.S. Toward Protectionism

MEXICO CITY—During the U.S. presidential campaign, in September, the Reagan administration had to make a politically difficult decision about U.S. purchases of foreign steel.

Rejecting recommendations that the United States impose formal quotas on steel imports, but stopping well short of a free-market solution to the issue, President Ronald Reagan proposed a compromise that fully satisfied no one: the adoption of "voluntary" export restraints by the major steel-producing nations, which would agree to collectively supply no more than 18.5 percent of the U.S. market, down from 25 percent.

In the United States, the Reagan decision was attacked as insufficiently strict by unions and steel companies, and as ideologically unacceptable by many staunch free-market proponents.

In Latin America, however, the measure was greeted with quiet relief. Government trade officials and executives in Latin American steel companies had feared a far

barrier U.S. move to limit steel imports. They had worried further that a new quota or tariff system in the United States would set a precedent for restrictions on other foreign-made goods.

"At least now we are assured of some U.S. sales," said an executive at Siderca, Mexico's state-owned steel conglomerate.

Earlier in the year, threatened with U.S. countervailing duties on a wide range of steel products, Mexico had negotiated a voluntary export restraint agreement with Washington, cutting U.S.-bound steel shipments by two-thirds in exchange for the withdrawal of dumping complaints filed by U.S. steelmakers.

Brazil, the biggest Latin target of the legal actions initiated by U.S. companies, is negotiating a similar agreement, as is Argentina, a relatively minor exporter.

Sensitivity in Mexico to U.S. protectionism has been heightened dramatically by the debt crisis, which has left Latin America desperately searching for new revenue

sources to repay the nearly \$400 billion owed to foreign banks. In July, a bitter debate broke out at a meeting of the Organization of American States, with Latin delegates angrily accusing Washington of jeopardizing their chances for economic recovery through new import penalties and restrictions.

While tariff barriers in Japan and Western Europe are also a matter of concern in Latin America, the United States is by far the region's largest trading partner, and access to U.S. customers could determine the success of regional export initiatives, economists in Mexico said.

Historically, the United States had enjoyed consistently comfortable surpluses in its Latin American trade, a legacy many Latin Americans believe should obligate the United States now to open its doors to their products.

In October, Latin American exporters and economic authorities were quietly pleased when the U.S. Congress passed a comprehensive trade bill extending for 8½ years

the machinery for removing import tariffs from the products of developing countries, known formally as the Generalized System of Preferences.

The trade ministers of Mexico and Brazil were particularly concerned, according to associates, that their countries might be eliminated entirely from the duty exemption. Many smaller exporting nations in the region, more vulnerable than their big industrialized neighbors, had been warned by their diplomats that the system might not be extended at all.

The revised system affords the U.S. government more leeway in eliminating beneficiaries, and excludes nations whose annual per capita income reaches \$8,500. The export levels at which products are dropped from the tariff preferences system were slashed in half; if an export item wins yearly sales of more than \$25 million or represents more than 25 percent of U.S. imports, it is automatically stricken from the duty-free list.

The revised trade preference sys-

tem retains such earlier restrictions as the exclusion of products from members of the Organization of Petroleum Exporting Countries—a provision eliminating Venezuela and an often overlooked factor in Mexico's reluctance to join OPEC.

One minor new U.S. import restriction appended to the bill and aimed mainly at Europeans could also adversely affect Chile, Argentina and Mexico: a rule permitting the limitation of wine imports. The measure has provoked a formal European Community protest through the General Agreement on Tariffs and Trade.

In the most controversial amendment to the system, beneficiary nations must guarantee "reasonable access" to their own markets. "Reciprocity rears its ugly head," muttered a South American delegate to a trade conference in Mexico City when the news came out.

Regional trade experts, pointing to the record \$120-billion trade deficit, anticipated this year, are braced for a new round of pro-

(Continued on Next Page)

Debt Crisis Brings In Austerity

(Continued From Page 9)

Latin America's commodity exports are destined for the industrial countries, the Western downturn, which accompanied tight monetary policies, choked off the major source of demand for exports.

High real interest rates also have contributed to the 60-percent rise of the dollar in trade-weighted terms since 1980, which has influenced commodity prices. Producers who get paid in dollars receive more local currency for their products and are more willing to cut dollar-denominated prices to compete for market share. Moreover, governments strapped for foreign exchange have stepped up output of commodity exports, sometimes adding in already excessive world supplies.

Thus, commodity prices tumbled, while inflation in the West merely decelerated. The prices of major nonfuel commodities exported by Latin America fell 27 percent between the first quarter of 1980 and the final quarter of 1983, largely in response to the anti-inflation policies being followed in the West.

The effect of this decline in commodity prices is still being felt by Latin America. Prices of all of the 11 major commodity exports of the region are well below their peaks of 1979-1980. For example, coffee sells for \$1.37 a pound (45 kilograms) compared with more than \$2 a pound in 1979. Copper prices on the London Metal Exchange are near 65 cents a pound, compared to almost \$1 per pound in 1980. Sugar prices are at their lowest point since in early 1970s, at less than 5¢ a pound, against 29 cents a pound in 1980.

This stands in stark contrast to the situation, which followed the recession induced by the first oil shock, when commodity prices rose by 28 percent in 1974, remained above pre-recession levels during 1975 and rebounded 39 percent in 1976-77. In a real sense, then, the exporters of primary commodities benefited from earlier commodity inflation but now are paying for the reduction in inflation enjoyed by the industrial countries.

The prospects for expanding export volume are modest, in light of the relatively unexciting recovery in demand outside of the United States. The volume of commodity exports from Latin America is expected to grow at 5.3 percent in 1985 and at 4.3 percent in 1986-1990, but Montague Lord, a foreign-trade specialist in the Inter-American Development Bank, suggests that "it will take the entire decade for the real value of Latin American commodity exports to regain the peak level of 1980."

This leaves the question of where commodity prices are heading. During the 1970s, commodity prices rose about one-and-one-half times the rate of inflation in the developed countries, plus some fraction of the depreciation of the dollar. Our forecasts indicate that inflation in the industrial countries will hold at 5 percent for the next several years, while surveys of currency traders suggest that the dollar could fall by 10 percent in both 1985 and 1986. If historical relationships were a good guide, world commodity prices could be expected to rise by 15 percent in each of the next two years. This still would leave commodity prices well below the trend line set in the 1970s; the ratio of commodity prices in output prices in the industrial countries would remain 24 percent below the 1980 level.

However, this "normal" pattern of commodity prices is unlikely to occur. Interest rates are going to remain high in real terms under most reasonable economic scenarios, and the boom in the United States already has given way in a period of more modest growth. There are no bottlenecks in sight, in contrast to earlier experience. And with few exceptions, speculative hoarding will not be a factor.

On a commodity-specific basis, the outlook for prices is not encouraging for producers. Oil prices still are under considerable pressure, and it remains to be seen whether the latest across-the-board cut in production quotas set by the Organization of Petroleum Exporting Countries will be enough to forestall another cut in prices of \$2-4 per barrel. Latin America as a whole is a net exporter of 950 million barrels of oil per year, so each \$1 cut in the price of oil adds nearly \$1 billion to the current account deficit.

Coffee production is expected to rise slightly in the 1984-1985 crop year at 91.9 million bags, coinciding with a small increase in demand due to Western recovery and aggressive advertising. But stocks are fairly high compared with several years ago, and early anxiety about the effects of the Brazilian frost has faded. This will result in only a small rise in price of about 3 percent in 1985 and 7 percent in 1986, according to senior commodities analysts.

Sugar prices, now at less than 5 cents a pound, may be helped a bit by recovery of world demand conditions. However, the breakdown of talks on a new International Sugar Agreement, a glut of world stocks, increasing competition by high-fructose corn syrups in the

United States and production of close to 98 million tons in 1984-85 leaves little room for optimism for regaining the price levels of 1980 or even 1981 in the near term.

Beef prices have been weak due to a shift in consumption patterns away from red meat, but the decline in herd inventories cycle could yield shortages and sharp price increases by 1986 if not next year.

Low livestock herds are also a factor in weak corn/maize prices. U.S. plantings have been strong, since the government offer of cash for idle land will not be in effect for the 1985 growing season.

The world recession dealt a blow to metal prices.

Copper prices are not likely to rally much in the next year or so. According to Fred Burnham Lambert, "If demand for prices were to come back significantly, then a lot of the shutdown capacity would be restarted."

At prices of even 70 cents a pound, output would be stepped up sharply. Similarly, although the aluminum industry is recovering from the recession, supplies of bauxite are solid, so it will be 1986 before prices for bauxite regain the 1981 level of \$40 a metric ton.

Given these macroeconomic and supply/demand conditions, the outlook for most commodity prices is for only limited recovery, with price increases limited to 4-6 percent in 1985 and 7-10 percent in 1986.

With export volume extending only modestly, this suggests that the total volume of commodity exports of Latin America will grow by 10 percent in 1985, which would not be quite enough to contribute in a reduction in the debt-service ratio.

Export value could grow by 11-14 percent in 1986, though, which would exceed interest costs — assuming that the United States takes sufficient action on the budget deficit to prevent a renewed rise in rates.

Fortunately, over the long term, the land-rich countries of Latin America have a great potential to increase production and exports of agricultural commodities, if structural obstacles to export — that is, overvalued exchange rates, export taxes, inefficient marketing agencies — are removed.

Closing on a brighter note, the worst is over; both prices and exports should be heating up, if slowly, and this should leave some room to relax some of the austerity measures forced by the debt crisis.



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A SPECIAL REPORT ON LATIN AMERICA

Eye on Protectionism

(Continued From Previous Page)

tionist initiatives from the United States next year. The Republican Party platform, they pointed out, although less openly protectionist than the Democratic position, called on the government to fight the loss of U.S. jobs to foreign competitors in such specific areas as steel, textiles, mining and footwear — all critical Latin American industries that are increasingly dependent on export trade.

Moreover, in contrast with the United States, the Latin American nations now are running record trade surpluses. The analysts noted, Brazil anticipates a positive trade balance of at least \$12 billion this year, while Mexican officials recently predicted a 1984 surplus of \$15 billion.

Of greater political import, in the first semester of 1984, these two countries' economies, the largest in Latin America, also posted record surpluses in their trade with the United States — \$2.5 billion for Brazil, \$4 billion for Mexico. Neither figure is likely to persuade U.S. authorities to extend concessions, diplomatic observers said.

Complicating matters, the United States and other industrialized nations are openly asking Latin Americans to lower barriers to foreign products and investors in exchange for trade breaks — demands that regional leaders reject as unfair.

"The role of protectionism in the development process must be recognized, and for that reason reciprocity should not be imposed as a condition for the opening of markets," Mexico's foreign minister, Bernardo Sepúlveda, said in a recent speech to the United Nations General Assembly. "It is also negative and unjustified to artificially link this opening to the treatment of foreign investment."

Perhaps most disturbing to regional trade analysts were such recent U.S. congressional initiatives as a move to penalize with countervailing duties all imports deemed to have been produced with subsidized energy sources, a measure that could have hurt virtually all Latin American exporters of metals, petrochemicals and other energy-intensive goods. Finally, eliminated from the trade bill signed into law by Mr. Reagan in October, this provision could be revived when Congress convenes in January, analysts warn.

The threat of U.S. steel restrictions spurred many Latin businessmen and diplomats into fighting vigorously and publicly for continued Third World trade breaks in the capitals of the industrialized world. In the month before the U.S. decision, many Brazilian corporate

chiefs — heavily dependent on export markets — had traveled north to argue their case before U.S. lawmakers, while Mexico's steel-makers became the first Mexican industrial group to hire a full-time Washington lobbyist.

"We shouldn't begin our lobbying when the roof is falling in," Fernando Gomez, president of Mexico's national foreign trade council, said later, reflecting on the experience. "We need preventive lobbying, not curative lobbying."

Other experienced Latin American trade observers agreed that the region must defend its commercial interests more forcefully through foreign political and diplomatic channels. In Japan, Latin businessmen complain of complex import requirements and tight restrictions on outside purchases of agricultural commodities. The EC countries have repeatedly been asked to extend to Latin America the trade favors that they awarded to their former colonies a decade ago with the signing of the Treaty of Lomé.

"We are still hoping that Spain's entrance into the Common Market will bring some advantages to us," said a high-ranking Latin American trade official, who asked not to be named. But Spanish and Portuguese diplomats have assured their EC colleagues that they expect no such concessions to be granted to Western Hemisphere nations that severed their colonial ties a century and a half ago.

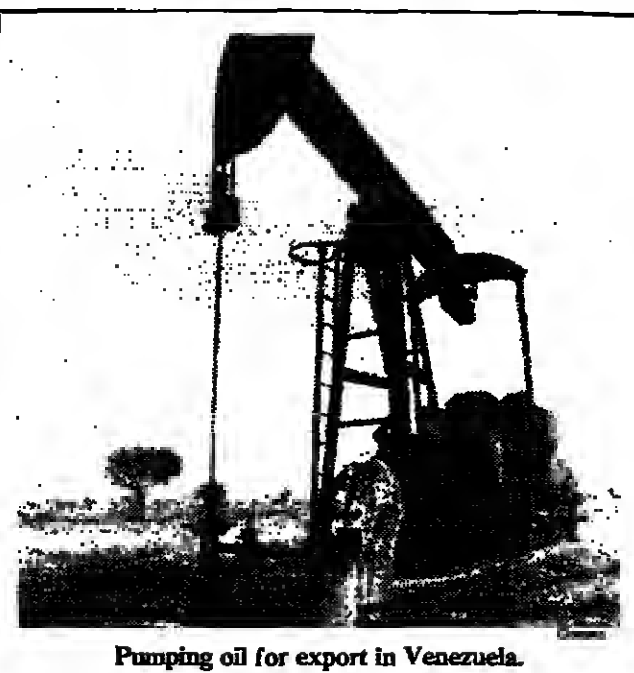
U.S. trade policies are viewed by Latin American leaders as far more important, both for their direct economic impact and as trend-setters for other industrialized nations. U.S. diplomats suggest that Washington is also more swayed by foreign criticism of trade policies than is Tokyo or Brussels.

Sebastian Allegret, permanent secretary of the Latin American Economic System, an organization promoting intraregional trade, assailed U.S. trade policies this month as "arbitrary dispositions that seek to limit Latin America's growth and development."

Other leading regional economic officials have made similar pronouncements recently about U.S. trade practices, but there have been few public attacks on the Europeans or Japanese, U.S. observers note.

Since the 1982 debt crisis, it has become a commonplace in the region to equate Latin America's export potential with its ability to repay debts and restore import purchasing to former levels.

In 1981, a year before Latin Americans shocked creditors with the news that principal payments were being suspended, economists for the UN Economic Commission



Pumping oil for export in Venezuela.

for Latin America concluded in a detailed study that the region's best long-term growth strategy would be a major increase in manufactured exports. Such finished products would be insulated from the gyrations of the commodities markets, provide more and better-paid employment and allow for greater diversification of the region's foreign markets, the commission economists argued.

Proposing that manufactured products be elevated to 42 percent of Latin America's exports by 1990, up from 15 percent in 1980,

the economists contended that total export income for the region could reach \$85 billion by the end of this decade. Some \$26 billion of this would come from manufactures, up from the scant \$3.4 billion earned by Latin American manufacturers as recently as 1975.

By 2000, the report said, Latin American nations could earn \$57 billion from foreign sales of manufactures — but only if governments and businesses began to develop this export capacity aggressively at least 15 years earlier.

— WILLIAM A. ORME JR.

Brazil's Rapid Progress in Market Skills

Special to the IHT

RIO DE JANEIRO — Brazilian exporters have made rapid progress in developing their marketing skills, local businessmen and trade experts agree, even though Brazil only began exporting on a major scale in recent years.

Frans Johansson, vice president of Mesbla Comercio Internacional, a trading company owned by a retail chain of the same name, said that "Brazil has moved very fast over the last 15 years, and that's a very short time in which to create a trading culture."

Michel Alaby, general coordinator of Funcea, a foreign trade study center, agrees: "Brazilian businessmen have undergone a radical change," he said. Until only a few years ago, he said, companies would wait to be approached by importers rather than go out and sell their products. Worse still, they would often fail to reply to inquiries,

miss deadlines or even send the wrong products. Mr. Alaby said that exporters have had serious difficulties overcoming Brazil's poor image on foreign markets.

Trade has become a vital lifeline for the Brazilian economy since the foreign-debt crisis broke two years ago. Exports have grown significantly since then. In 1983, Brazil ran a \$9.1-billion trade surplus, while this year the surplus could reach \$12 billion. Exports in the 12 months to last September were \$19.99 billion.

Nunzio Quiratem, superintendent director of Unef, a São Paulo-based export consortium owned by six poultry companies, said that the company had to learn about marketing the hard way, from bitter experience. Unef began operating in 1975 and, Mr. Quiratem said, it immediately ran into serious trouble because of its total inexperience in exporting. He said that Unef "lost \$3 million over almost 10 years just through inexperience."

Mr. Johansson said that Brazil now has become the leading Latin American nation in export marketing. He said that this is mainly due to a series of government incentives and subsidies implemented in the early 1970s to encourage exports. Now, he said, "Brazil is far ahead of all other South American countries in marketing."

Mr. Johansson said that most Latin American countries still have to rely heavily on a few major commodity exports, such as grains in Argentina or copper and seafood in Chile.

Exporting companies also are paying more attention to other countries' cultures as part of their approach to marketing. Mr. Quiratem, of Unef, said that the compa-

ny's slaughtering process had to be adapted to meet Islamic religious rules in order to export chicken to the Middle East. He said that he studied the Koran carefully and took the trouble to learn about Arab culture.

Arab countries take 90 percent of the company's exports of 45,000 tons of frozen chicken a day. In addition, exporters now have to pay a \$100 a ton premium for Unef's chicken, a reflection of the company's superior service.

Interiores Ltda., a trading company specializing in trade with China, also has taken care to learn about the Chinese way of doing business. Up to two years ago, the company only imported from China. Now, it has begun a cautious marketing campaign there.

Crisis Brings Restructuring for Growth

(Continued From Page 9)

managers will have the political clout to enforce the policies and whether social pressures will be controllable enough to give time to get there.

Two points can be made about the future. First, the short-term international focus will be on Brazil in 1984, because of its newly elected government. Secondly, it will be simplistic to think that over the next decade Latin America can get the kind of export-led growth that has characterized the countries on the edge of East Asia.

Brazil illustrates well the importance of the international economic environment for the prospects of Latin America. In 1984, merchandise exports will reach about \$24 billion; this is indeed an achievement after the trough of \$18.6 billion in 1982, but it is still well below, in real terms, the \$22-billion exports reached in 1981. The reason is that while manufactured exports are racing ahead, because of a strong dollar abroad, that same strong dollar and its economic handmaiden, high dollar interest rates, are keeping commodity prices down.

Furthermore, restructuring of old homestead industries in Europe, North America and Japan does not in any case augur well for the long-term prospects of a number of commodities. For example, the United States today uses about one-third less copper, lead, zinc

and iron ore per unit of gross national product than it did in 1970.

The new elected Brazilian government, which comes into office in March 1985, faces major internal tasks after the success of the present administration on the external front. No reduction in inflation is possible without a drastic cut in the public-sector deficit and some form of de-indexation. The indexing of domestic public debts account for virtually the whole of the 13 to 15 percent of GNP public deficit, so that in effect savers are being rewarded at the cost of the inflation, which affects poorer economic groups the most. Sorting out such problems and their considerable social implications is going to be a task indeed, but Brazil is today in the full swing of discussion of how to tackle these thorny issues.

Brazil also illustrates a second point, namely that there are limits to the idea of some commentators, especially lenders, that the solution to today's economic troubles is simply to imitate East Asia, become "outward-oriented" and, in a flash, become huge exporters of manufactured products. Without questioning the desirability of more export-led growth, we have to be aware of serious limitations.

First, the large Latin American economies of Argentina, Brazil and Mexico have relatively high per capita incomes, more than twice those of East Asia, and have labor and social security benefits imported from European practice, which

do not give them the long-term wage flexibility necessary to sustain an export drive with the same determination as the poorer Asian economies. Second, large internal markets and a rapidly growing middle-class make domestic markets especially attractive in comparison with international markets. Finally, exports require finance, and Latin America is, for the time being, strapped for cash and for the credit needed to finance the products it sells.

Most of the Latin American economies, nevertheless, face a choice in their economic policies over the next few years: to lace the difficult road of integration with the rest of the world economy, with greater reliance on export-led growth but also with difficult-to-enforce financial and labor discipline at home, or to let up on the efforts of the last two years and listen to the siren song of protectionism and state enterprise and return to the bad old ways. The international community ought to do everything it can to help that choice in the right direction.

It is essential not to prolong that period of declining income, which will provoke social reactions that make it difficult to pursue outward-looking economic policies.

The present mix of a high dollar and high interest rates has been carried too far. It is simply not true that the high dollar and its suction effects upon manufactured exports has offset, in the case of Latin

America, the cost of higher interest rates.

Each percentage point in the prime rate or Libor, the London interbank offered rate, cost Latin American countries \$2.7 billion annually during 1983-84, whereas export earnings of the region in 1984 will only have recovered to the \$100-billion level achieved three years ago.

Fortunately, we seem to be moving to the right direction. If the softening of interest rates and the dollar, which occurred in the weeks before the U.S. election continues. During the interim period to a more stable environment in the debtor countries, there is much that can be done internationally to facilitate the transition.

It is not enough to talk about the need for private investment, when in fact countries have large excess capacity and entrepreneurs are in many cases "divesting" rather than investing. Working capital to reactivate economies is needed.

More quick-disturbing loans by the multilateral development banks are essential. Imaginative new market financing techniques also are useful, such as project financing for export-oriented ventures, export-related trade credit and judiciously managed triangular and countertrade projects.

Most important, there is a need for a sense of hope and opportunity, rather than negativism and paralysis.

CONTRIBUTORS

DAVID ERNST is vice president and founding member of Evans Econometric, Inc., a Washington-based economic forecasting firm, and is responsible for all international forecasting and consulting at EEL.

JOAN M. FELDMAN is a Washington-based journalist and consultant specializing in transportation.

ROBERT HENRIQUES GIRLING is a countertrade specialist with International Management Services of Berkeley, California, and a professor of international business at California State University at Sonoma.

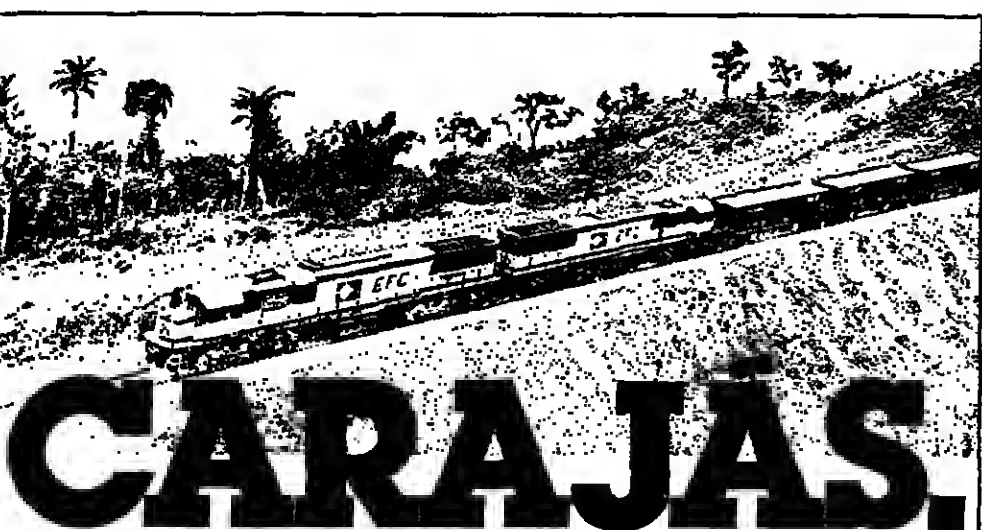
PEDRO-PABLO KUCZYNSKI is co-chairman of First Boston International and managing director of The First Boston Corp.

WILLIAM A. ORME JR. is a Mexico City-based journalist who writes about Mexico and Central America.

CHARLES F. MEISSNER is a vice president of Chemical Bank. As ambassador and special negotiator for economic affairs (1980-1982), he represented the United States in debt restructuring negotiations and other multilateral economic forums.

KEVIN P. POWER is the author of "The Caribbean Basin Trade and Investment Guide."

DANIEL SOLANO is a Paris-based journalist who specializes in Latin American affairs.



The Carajás Project being developed by Companhia Vale do Rio Doce is opening new horizons for the Brazilian economy. Located in the Carajás Range in the Amazon river basin, the project encompasses one of the largest mineral provinces in the world.

Huge deposits of excellent quality iron ore, substantial reserves of bauxite, manganese, copper, nickel, tin and gold are concentrated in the northern part of the country. A treasure that guarantees the consolidation of various important market positions abroad. In fact, largely through CVRD, Brazil is now the world's leader in iron ore production and export. And it also ranks as the third largest international producer of gold.

The Carajás Iron Ore Project will start full industrial operations beginning in 1986 and this will mean a considerable generation of foreign exchange for Brazil. Annual revenues on the order of \$700,000,000 are forecast.

With a total budget initially set at around \$4,500,000,000, the Carajás Iron Ore Project is going to be completed ahead of schedule and at a

total cost less than \$3,500,000,000, representing a savings of more than \$1,000,000,000.

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The Alumina/Aluminum Project, devoted to the extraction and treatment of bauxite as well as its conversion into aluminum, represents CVRD's second largest field of endeavor. Similarly, the Cerrados Project which involves the agricultural development of Brazil's Central-West region has been receiving special attention from the company with a substantial participation by private initiative.

In addition to this, Companhia Vale do Rio Doce demonstrates its serious ecological concern, establishing reforestation, antipollution measures and by being generally careful with the environment.

This work by CVRD, carried out with seriousness, audacity, and tenacity, makes it possible for favorable prospects to be seen for the recuperation of the Brazilian economy.

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Statistics Index

AMEX prices	P.10	Earnings reports	P.19
AMEX index	P.10	Foreign exchange	P.17
NYSE prices	P.11	Gold prices	P.13
NYSE index	P.11	Interest rates	P.13
Commodity prices	P.20	Market summary	P.14
Currency rates	P.12	Outlook	P.14
Dividends	P.16	OTC stock	P.18
Other markets	P.16	Other markets	P.20

Herald Tribune BUSINESS/FINANCE

U.S. Stocks
Report, Page 14

Page 13

FUTURES AND OPTIONS

'Introducing Brokers' Bring New Business to Discounters

By H.J. MAIDENBERG

NEW YORK — Many of the full-service brokerage houses may soon regret letting go large numbers of commodity account executives in belt-tightening moves brought on by shrinking business and the increasing competition from discount brokers. The reason: Many of the fired brokers have become "introducing brokers," and they are generating even more business for the discounters.

Introducing brokers, or IBs, as they are known in the trade, are not a new phenomenon. What is new, and promises to radically change the futures and options brokerage business, is the large number of experienced account executives who are becoming IBs.

Herbert Young, president of Lind-Wallock & Co., the largest futures discount broker, explained: "The growing number of IBs is one of the major reasons discounters have been getting larger shares of the futures business. These are people with the kind of experience you can't go out and buy. And they don't clear their clients' business through firms like ours just because they are mad at their former employers."

Lind-Wallock, for example, has attracted hundreds of former account executives, many of whom work out of their homes, by offering them legal help in registering as IBs. Depending on the past record of the introducing broker, the company will advance the \$25,000 guarantee fee, and, if the IB generates enough business, the discounters will provide equipment that allows the IB to transmit orders from a home or office directly to the exchange trading floor through the discount house's own computer systems.

Another reason why the discounters cultivate the IBs is that they, not the brokerage house that clears the trade, are responsible to the client.

"For the IB to make a living, he has to offer competitive commissions," Mr. Young continued. "With the rates charged by discounters, the IB can offer competitive rates, take on something for himself, and still give his client a lower commission than that offered by the full-service brokers. Right now, we have 771 IBs. A year from now, we think there will be more than 5,000, and they will all be clearing through discount houses."

Until the Futures Trading Act of 1982 became law, the typical IB was a small-town agent who would execute his client's commodity futures business through the nearest branch of a major brokerage house. As an agent, they were not liable for any mistakes to execution of orders, only the clearing brokerage house was. The 1982 law shifted that liability to the agent or IB.

Becoming an IB now requires passing stringent competency examinations and registration with both the Federal Commodity Futures Trading Commission and the National Futures Association, an industry self-policing group created in 1982 with the blessing of the U.S. Congress.

Susan Phillips, chairman of the regulatory agency said recently that the futures association had "done such a great job" processing IBs and their associates, they will be given the whole responsibility on Dec. 3. "We will then be able to use our resources to crack down on shady operators as well as perform the other oversight duties mandated by Congress," she said.

Robert K. Wilmoth, the association's president, said his group would have responsibility for policing and registering "about 90,000 futures account executives, commodity pool operators, commodity trading advisers, futures commission merchants, and others involved in the industry."

Thomas A. Russo, partner in the Wall Street law firm of Cadwalader, Wickersham & Taft and one of the writers of the first regulations of the Commodity Futures Trading Commission a decade ago, said:

"For better or worse, the NFA is now the most powerful regulator in the commodity industry, and I must say that thus far it has been a force for good. But the NFA has also greatly speeded up and facilitated the process of becoming an IB. How they are going to police the tens of thousands of potential IBs is something else."

"We have 771 IBs. A year from now, we think there will be more than 5,000."

IBM Pursues Aggressive Path at Home, Abroad

Latest Computer Is Viewed as New Industry Standard

By David E. Sanger

New York Times Service

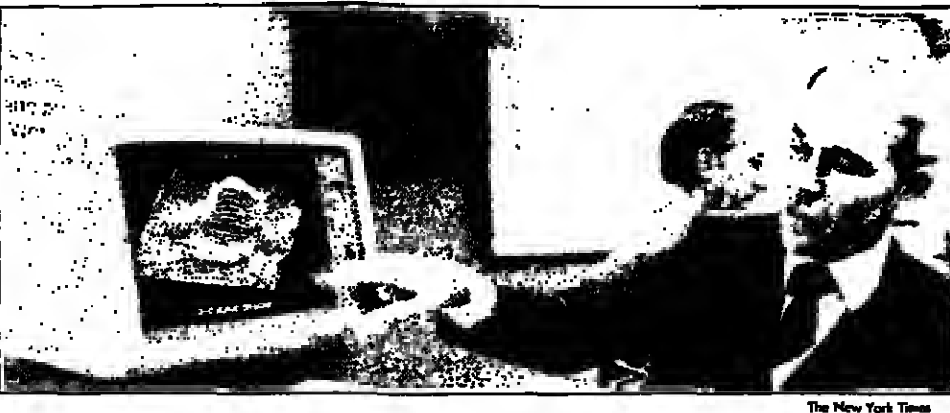
LAS VEGAS — International Business Machines Corp. seems likely to face substantially less competition in the personal computer field over the next year, according to industry experts who say IBM's flurry of new products has left makers of IBM-compatible products far behind.

The comments came in the closing days of the Computer Dealers Exposition, the industry's premier trade show, in Las Vegas. Exhibitors and visitors to the show, known as Comdex, expressed amazement that not a single major IBM competitor showed a machine to challenge the Personal Computer AT, IBM's latest and most technologically advanced entry.

Some speculated that IBM's choice of a new, far more powerful microprocessor to drive the machine effectively created a second "IBM standard" for personal computers, one many competitors would find far too complex and costly to meet.

"Most of those who are already in the IBM-compatible market won't have the cash to follow the AT," said Esther Dyson, editor of Release 1.0, an industry newsletter. "And in this climate, no one will fund a start-up. You just won't see the rash of clones" that were generated by IBM's first personal computer entry three years ago, she said.

In fact, IBM's sudden entry into virtually every aspect of the personal computer business — (Continued on Page 19, Col. 4)



IBM demonstrates its PC-AT at Comdex, the personal computer show, in Las Vegas.

European Push Starts With Joint Venture

By John Tagliabue

New York Times Service

ROME — By almost any standard, International Business Machines Corp. and Selenia-Elasg SPA would appear to be the odd couple of European business. Selenia, a batch of small but scrappy Italian electronics and machinery concerns, reached an agreement with IBM in September to jointly develop and manufacture industrial electronics.

For IBM, which emerged relatively unscathed last summer from a European Community antitrust action, the accord was the company's first joint venture with a European partner. It seemed to reflect the aggressive new tactics the company intends to use to widen its European activities into lucrative new businesses, like telecommunications and industrial electronics.

For Selenia, which bundles under the financial umbrella of the Italian state holding company, Istituto per la Ricostruzione Industriale, or IRI, the pact seemed to

afford the kind of U.S. expertise and financial clout it needed to survive in the fiercely competitive European electronics market.

But for all its incongruities, the IBM-Selenia accord says a lot about recent realignments in European industry as U.S. and European corporations choose partners and positions in emerging markets for electronic equipment.

"For both companies," Romano Prodi, IRI's 42-year-old chairman, said recently, "the accord is the fruit of a broader strategy."

The agreement came less than one year after American Telephone & Telegraph Co. announced that it would acquire a 25-percent stake in IRI. C. Olivetti & Compagnia, the Italian office-equipment maker, the second linked both companies to developing and marketing new technology, including small computers and other advanced office communication equipment.

The Selenia agreement with IBM stirred a storm of criticism

in Europe. Italian companies — like Olivetti, which supplies industrial electronic systems, and Contan, the Fiat subsidiary that is a leader in factory automation — protested loudly. Giorgio Panatoni, an executive involved in factory automation at Olivetti, which competes directly with IBM, described Selenia's deal as "mistaken."

"It militates against Italian solutions," he complained.

Under the agreement signed in September, IBM will cooperate with several Selenia companies to develop and manufacture computers and the software to run them. The machines will be used in flexible manufacturing systems, the computer-controlled factories whose spread is expected to generate multibillion-dollar markets.

But the agreement also foresees cooperation between IBM and Selenia's research arm, Centro Studi e Laboratori Telecomunicazioni, in the development of (Continued on Page 19, Col. 5)

U.S. Spending Fell Last Month; Incomes Rose

The Associated Press

WASHINGTON — U.S. personal income rose 0.6 percent last month but consumer spending dipped 0.1 percent, the poorest showing on the spending side in eight months, the Commerce Department reported Monday.

It said the 0.6-percent gain in personal income followed a 0.7-percent increase in September and matched a 0.6-percent August gain.

The October decline in personal consumption spending, which includes virtually everything except interest payments on debt, compared to a 1.7-percent spending surge in September.

The September increase followed two months in which consumer spending had posted no gain at all and gave analysts hope that the economy was finally rousing from its summer doldrums.

However, a variety of other economic statistics have signaled that the current slowdown in growth may be a prolonged one, although few economists believe the economy is about to tumble into a recession.

[The chief Commerce Department economist, Robert Ortner, said the moderate rise in income was in line with the slower growth of the economy that has taken place in recent months compared to the previous year of recovery, United Press International reported.]

"I think that the Christmas business is going to be good," Mr. Ortner said. "I think retailers should be encouraged by the continued growth in income and the continued high level of consumer confidence" as shown by polls.

The government will revise its estimate of overall economic growth for the July-September period on Tuesday. Many analysts expect the new figure will be lower than the 2.7-percent current estimate. That growth rate is less than one-third the 8.6-percent rate turned in during the first half.

The drop in consumer spending, which has been one of the key forces driving the recovery from the 1981-82 recession, was the largest since a 0.9-percent fall in February.

Purchases of durable goods, items expected to last three or more years, were down \$3 billion, compared with an increase of \$10.2 billion in September. The decline in October and the big increase the month before were due largely to spending changes for motor vehicles and furniture, the report said.

[Commerce Department analysis said the decline in autos probably was due to the fact that recent strikes in the United States and Canada lowered production, and people could not always find the kind of car they wanted. Furniture sales often fluctuate, UPI reported.]

Purchases of nondurable goods declined \$4.3 billion compared to a September increase of \$17.1 billion.

French Pricing Action Criticized as Inadequate

By Axel Krause

International Herald Tribune

PARIS — The French government's announcement on Monday to lift controls some domestic industrial and consumer prices, in sectors where competition is intense, such as production of television sets, but will be maintained in other sectors, such as automobile production, where industry is seeking to boost profit margins through price increases.

The National Price Committee, whose members include government, business and consumer groups, on Monday set 1985 price increases at an average of 3 percent. But the price controls will not apply to a wide range of consumer goods such as television sets, car radios, personal computers, jewelry and pet food. They also will not apply to industrial products or services such as office computers and truck rentals.

"Where it is possible, where there is competition, we are freeing prices," Mr. Bérégovoy said. Guy Brauu, vice president of the French employers' confederation, the Patronat, said the government had taken "a step toward price freedom." But he emphasized that it was maintaining controls on 30 percent of French industrial prices.

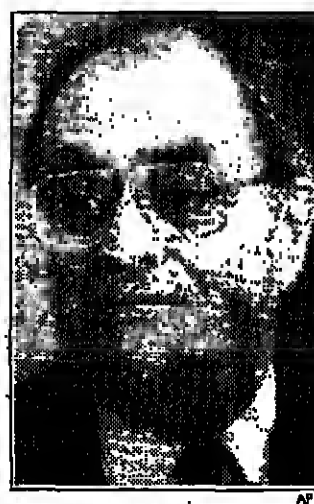
This means, according to government officials and business executives, that price controls will be lifted in sectors where competition

is intense, such as production of television sets, but will be maintained in other sectors, such as automobile production, where industry is seeking to boost profit margins through price increases.

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Pierre Bérégovoy

the large majority of services and on all retail price margins.

Patronat members, mainly business executives, speaking privately on Monday, said that the finance minister was seeking to appear flexible and heading the economy toward deregulation by reducing the role of the state in business.

"The government wants to appear more flexible, but in fact the controls on the economy remain in force," one executive said.

Bundesbank Reports Stronger Profits

Reuters

FRANKFURT — West German corporate profits recovered strongly in 1983 but the return on sales still is below levels at the beginning of the 1970s and structural problems such as under-capitalization remain, the Bundesbank said Monday in its monthly report.

"The West German central bank said that a study of 20,000 balance sheets for 1983 showed pretax earnings rose 15 percent from the 1982 level and net profits rose 35.5 percent.

The higher jump in net profit was due partly to reductions in some local tax rates and unusually low corporation tax reflecting weak earnings in earlier years, it said.

The Bundesbank said the percentage ratio of pretax profits to turnover, or return on sales, rose last year to 4.5 percent from 4 percent in 1982 but was below an average 6 percent recorded in the early 1970s and levels as high as 8.8 percent in the mid-1960s.

In this context, the 1983 performance of West German companies was "far from glowing," it added. The deterioration of companies'

capital base halted in 1983 but capitalization still is very low and about one third below levels in the mid-1960s. It is neither strong enough to cope with risks, as illustrated by 11,700 insolvencies in 1983, nor to cope with structural problems, the central bank said.

"On the whole, companies last year did make progress on the path towards normalizing profits and financing despite serious weaknesses in capitalization," the Bundesbank said. "The conditions for a lasting improvement to investment ... have without doubt become more favorable."

This in turn should help ease unemployment.

Latest tests of the business climate carried out by the IFO economic institute show manufacturing industry plans to continue higher investment through 1985, the bank said.

The recovery in 1983 earnings after weakness in 1981 and 1982 means profitability is back at levels it reached in the late 1970s. Above-average increases in profits were recorded by wholesale and retail companies as private demand re-

emerged and by chemical, textile and electrical sectors, with exports aided by a high dollar.

But profit continued to fall in the steel and shipbuilding sectors.

The Bundesbank also reported that the West German federal government cash deficit fell by 3 billion DM (\$1.01 billion), to 24.7 billion DM, in the first 10 months of 1984 compared with the year ago period.

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Currency Rates

Later interbank rates on Nov. 19, excluding fees.
Official fixings for Amsterdam, Brussels, Milan, Paris, New York rates of 2 P.M. EDT.

	Amsterdam	Brussels	Frankfurt	London	Madrid	New York	Paris	Tokyo	West Germany
\$	33.05	42.13	112.79	36.76	0.1815	5.99	126.74	138.13	126.74
DM	60.89	75.36	201.76	3.268	0.3725	17.879	24.44	34.725	17.879

Dollar Values

	Swiss	French	Italian	Spanish	Portuguese	Belgian	Dutch	Austrian	Japanese
\$	2.203	6.55	1.366	166.64	200.48	233.76	2.36	13.76	360.71
DM	4.36	13.66	2.92	333.33	400.00	467.52	4.72	27.04	720.42

Interest Rates

	1 mo.	3 mos.	6 mos.	1 yr.	2 yr.	3 yr.	4 yr.	5 yr.	10 yr.
100 U.S. \$	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75
100 U.S. \$	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75

	1 mo.	3 mos.	6 mos.	1 yr.	2 yr.	3 yr.	4 yr.	5 yr.	10 yr.
100 U.S. \$	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75
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100 U.S. \$	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75
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	1 mo.	3 mos.	6 mos.	1 yr.	2 yr.	3 yr.	4 yr.	5 yr.	10 yr.
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100 U.S. \$	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75
100 U.S. \$	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75

Regulators' Tough Approach Worries U.S. Banks

By Robert A. Bennett

New York Times Service

NEW YORK — U.S. regulators are moving in new directions to arrest unsound tendencies in the banking system.

But their moves are raising questions, and some bankers and analysts fear they might further erode confidence in the banking system.

The regulators have been advocating a two-pronged approach, the first example of which came this week when two of the largest U.S. banks were forced to disclose that the Comptroller of the Currency had required their directors to sign pledges to bolster the banks' financial underpinnings and change the ways they deal with problem loans.

As this action showed, on the one hand the regulators are turning to "market discipline" to keep banks prudent: forcing banks to disclose problems that in the past they took pains to shield to the expectation that word of a bank's shakiness would force it to offer higher interest rates to attract deposits, thus reducing profits.

Yet, even as they advocate greater reliance on market forces, regulators have become tougher than ever in their examinations and their demands on particular banks.

The pledges extracted from the Bank of America and the First National Bank of Chicago left bankers and analysts astonished and puzzled. Several bankers — none of whom would speak for attribution — said they feared that the harsh

measures would make them overly conservative in making loans.

"It's had a real chilling effect in this place," said a senior officer of a large bank in the South. "We're nervous. We could have made a lot more loans, but we've become much more cautious."

That, of course, may be just what the regulators want. But some bankers contend that the new

NEWS ANALYSIS

thrust might be too chilling and could seriously slow the economic recovery by discouraging bank lending.

A greater problem than problem loans, the bankers say, is the demand that they increase their primary capital, which consists mainly of the stockholders' investment in the bank and the bank's reserve for loan losses. The regulators have demanded, for example, that the Bank of America increase its primary capital to 6 percent of total assets by the end of next year. The Bank of America's primary capital now stands at about 4.8 percent, and First National's at about 5 percent.

Many banks are finding it difficult to increase primary capital because of weak earnings and depressed stock prices — a situation made worse by full disclosure of their problems. An alternative method of raising the ratio of primary capital to assets is by reduc-

ing assets, such as loans. And a growing number of banks have been taking this route.

Many bankers and analysts said last week that they thought regulators should keep their criticisms of banks private.

"It's craziness," said Lawrence W. Cohn, first vice president and senior bank analyst with Dean Witter Reynolds Inc., referring to public disclosure. Under the rules of the Securities and Exchange Commission, the banks had to make public the formal agreements signed with the comptroller. Bankers said that they did not think it was necessary for the comptroller to take that formal route.

"I'm worried about the public's perception of the seriousness of the problems," said a senior officer of a New York bank.

Another banker said, "My first reaction is that, within limits, pub-

lic disclosure will be good for the system; it will force all banks to improve their balance sheets."

James H. Wooden, vice president and bank-stock analyst at Merrill Lynch, Pierce, Fenner & Smith, said: "My personal preference is along the lines of the Bank of England. When it's concerned about a bank, it says to the bank, 'Come on in, let's have a chat.' And it quietly and efficiently gets done what it wants to do."

Defenders of the regulators see it differently, however. One said that such formal agreements have been common with smaller banks, most of which do not have to disclose the agreements because they are not publicly held. "If these were \$10 million banks there would be no question that this would be done," an official said. "I'm pleased to see it being done on a bank that's bigger."

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NYSE Most Active					
Vol.	High	Low	Last	Chg.	
IBM	150.00	149.00	149.00	-0.25	
AT&T	100.00	99.00	99.00	-0.25	
GE	100.00	99.00	99.00	-0.25	
Westinghouse	100.00	99.00	99.00	-0.25	
General Electric	100.00	99.00	99.00	-0.25	
IBM	100.00	99.00	99.00	-0.25	
AT&T	100.00	99.00	99.00	-0.25	
GE	100.00	99.00	99.00	-0.25	
Westinghouse	100.00	99.00	99.00	-0.25	
General Electric	100.00	99.00	99.00	-0.25	

Dow Jones Averages					
Vol.	High	Low	Last	Chg.	
Industrials	1,185.15	1,180.00	1,180.00	-0.25	
Transportation	1,185.15	1,180.00	1,180.00	-0.25	
Utilities	1,185.15	1,180.00	1,180.00	-0.25	
Commodities	1,185.15	1,180.00	1,180.00	-0.25	
Finance	1,185.15	1,180.00	1,180.00	-0.25	

NYSE Index					
Vol.	High	Low	Last	Chg.	
Composite	1,185.15	1,180.00	1,180.00	-0.25	
Industrials	1,185.15	1,180.00	1,180.00	-0.25	
Transportation	1,185.15	1,180.00	1,180.00	-0.25	
Utilities	1,185.15	1,180.00	1,180.00	-0.25	
Commodities	1,185.15	1,180.00	1,180.00	-0.25	
Finance	1,185.15	1,180.00	1,180.00	-0.25	

Monday's NYSE 3pm					
Vol.	High	Low	Last	Chg.	
Composite	1,185.15	1,180.00	1,180.00	-0.25	
Industrials	1,185.15	1,180.00	1,180.00	-0.25	
Transportation	1,185.15	1,180.00	1,180.00	-0.25	
Utilities	1,185.15	1,180.00	1,180.00	-0.25	
Commodities	1,185.15	1,180.00	1,180.00	-0.25	
Finance	1,185.15	1,180.00	1,180.00	-0.25	

AMEX Diaries					
Vol.	High	Low	Last	Chg.	
Composite	1,185.15	1,180.00	1,180.00	-0.25	
Industrials	1,185.15	1,180.00	1,180.00	-0.25	
Transportation	1,185.15	1,180.00	1,180.00	-0.25	
Utilities	1,185.15	1,180.00	1,180.00	-0.25	
Commodities	1,185.15	1,180.00	1,180.00	-0.25	
Finance	1,185.15	1,180.00	1,180.00	-0.25	

NASDAQ Index					
Vol.	High	Low	Last	Chg.	
Composite	1,185.15	1,180.00	1,180.00	-0.25	
Industrials	1,185.15	1,180.00	1,180.00	-0.25	
Transportation	1,185.15	1,180.00	1,180.00	-0.25	
Utilities	1,185.15	1,180.00	1,180.00	-0.25	
Commodities	1,185.15	1,180.00	1,180.00	-0.25	
Finance	1,185.15	1,180.00	1,180.00	-0.25	

AMEX Most Active					
Vol.	High	Low	Last	Chg.	
IBM	150.00	149.00	149.00	-0.25	
AT&T	100.00	99.00	99.00	-0.25	
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Westinghouse	100.00	99.00	99.00	-0.25	
General Electric	100.00	99.00	99.00	-0.25	

Trading Is Light on Wall Street

United Press International

NEW YORK — Prices on the New York Stock Exchange were slipping lower Monday afternoon, as investors passed up the chance to pursue bargains among issues that have lost ground in a prolonged slump.

The Dow Jones industrial average, which fell 18.22 Friday and 31.03 for all of last week, was down 2.43 to 1,185.15 an hour before closing.

Declines led advances, 1,088-437, among the 1,964 issues traded. The five-hour volume eased to 57.48 million shares from 67.52 million in the same period Friday.

Analysts noted that volume has been relatively light during the slide that started the day after the president's election on Nov. 6, suggesting a lack of buyers rather than any rush to sell stocks.

Although the Dow industrials slipped below 1,200 Friday, Jerry Hinkle of Sanford C. Bernstein Co. said there is major support at the 1,170-1,175 area.

He said institutional investors were quiet Monday with many appearing to be waiting for answers from Washington on any tax changes that may be proposed to deal with the Federal budget deficit.

The federal funds rate dropped to 9% percent from 9 7/16 percent after the Federal Reserve entered into system repurchase agreements.

Some economists have been predicting a cut in the Federal Reserve's discount rate, now 9 percent. Such a reduction would give stocks a psychological lift, analysts said.

Before the stock market opened, the Commerce Department reported that U.S. personal income rose 0.6 percent in October. But expenditures for personal consumption declined 0.1 percent.

GTE Corp. was lower at midday in active trading.

Pratt & Whitney, which has entered into a definitive agreement to be acquired by Placer Development Ltd., moved higher. A block of 112,900 shares crossed the tape at 17 1/4.

Hewlett-Packard slipped after reporting reported fourth-quarter debt of 65 cents vs. 57 cents.

Elsewhere in the high tech group, Digital Equipment and IBM were lower at midsession. Texas Instruments moved higher.

Monsanto was lower at midsession. The government is expected to announce new controls this week on use of the company's weed killer product, Lasso.

Pantry Pride was lower after a newspaper story said the company may be faced with heavy costs in defending present management in a proxy contest.

Levi Strauss declined after it said fourth-quarter profit would be sharply lower.

Baxter-Travenol Laboratories was lower after the company said it planned to record a \$116 million after-tax charge in the fourth quarter. The company said the move, reflecting consolidations, would help profitability.

In the auto group, General Motors was fractionally higher at midsession and Ford was fractionally lower.

In the oil, Mobil, Phillips and Indiana Standard had losses at midday.

NYSE Most Active					
Vol.	High	Low	Last	Chg.	
IBM	150.00	149.00	149.00	-0.25	
AT&T	100.00	99.00	99.00	-0.25	
GE	100.00	99.00	99.00	-0.25	
Westinghouse	100.00	99.00	99.00	-0.25	
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General Electric	100.00	99.00	99.00	-0.25	

6 MONTHS 800% PROFITS

Whenever the Dow dips, there are sages who mistake a burp for a death rattle, warning timid souls to retreat from hope to await the Apocalypse, reading Thomas Hardy instead of Penthouse. Most investors are unfortunately pre-conditioned to buy into strength and to sell into weakness, flouting rational behavior. A pundit recently remarked that the real (after-inflation) value of the DJI fell 62% between 1964 and 1983 and that this fall is symbolic of the Sunset of free enterprise.

The fallacy of his thesis is apparent; one need only remember Disraeli's quip that there are "liars, damn liars, and statistics."

The greatest gains in equities between 1964 and 1983 were realized by "unlisted" shares or by stocks on the American Stock Exchange, not by behemoths on the N.Y.S.E., for the latter offer only artificial gain.

Dozens of legendary "winners" were incubated outside the embrace of the Dow, companies ranging from APPLE to WANG.

How many pessimists recall, to cite one example, that WANG — which a prestigious investment firm once dubbed "an absurd risk" — spiraled from 5/8 to a high of \$42. In 1982, when the Dow was being pulverized (under 800), C.G.R. mused... "BUY AMERICA, FOR THE DOW WILL TOUCH 1,000 BEFORE HITTING 750." And now? Despite tremors, the Dow will escalate above 2,000 before the feared 1,000 plateau is breached, an upswing characterized by surges in secondary and developing equities.

Our forthcoming report reviews emerging corporations, analogous to prior "special situations" that dramatically outpaced the Dow, some vaulting 800% in less than six months. As a piece of resistance, we focus upon "senior securities" that may be ingested by predators at premium prices.

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Past performance does not guarantee future results

NYSE Most Active					
Vol.	High	Low	Last	Chg.	
IBM	150.00	149.00	149.00	-0.25	
AT&T	100.00	99.00	99.00	-0.25	
GE	100.00	99.00	99.00	-0.25	
Westinghouse	100.00	99.00	99.00	-0.25	
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GE	100.00	99.00	99.00	-0.25	
Westinghouse	100.00	99.00	99.00	-0.25	
General Electric	100.00	99.00	99.00	-0.25	

Vol. at 3 P.M.	5,218,000
Prev. 3 P.M. vol.	5,438,000
Prev. consolidated close	6,760,000

Tables include the nationwide price up to the closing on Wall Street[illegible][illegible][illegible][illegible][illegible][illegible]

Nov. 19

NASDAQ National Market Prices[illegible][illegible][illegible][illegible][illegible][illegible]

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SPORTS

Dolphin Streak Broken by Chargers

Compiled by Our Staff From Dispatches
SAN DIEGO — Buford McGee ran 25 yards for a touchdown 3:17 into overtime as San Diego rallied to end Miami's unbeaten streak with a 34-28 National Football League victory here Sunday.

The Dolphins lost for the first time in 12 games this season and fell one short of the NFL record of 17 consecutive regular-season victories, set by the 1933-34 Chicago Bears. The loss also prevented Miami from clinching the American Conference Eastern crown.

The Chargers trailed, 28-14, after three quarters, but quarterback Dan Fouts' pinpoint passing produced two fourth-quarter scores that forced the overtime. Fouts, who set club records with 37 completions and 56 attempts, good for 380 yards, hit Charlie Joiner with a 19-yard TD strike 1:31 into the final period, making it 28-14. He also directed a 19-play, 91-yard drive that ate up 10 minutes and culminated in his fourth scoring pass of the day, a 3-yarder to Eric Sievers with 51 seconds left.

Dan Marino moved Miami within striking distance of victory in the closing seconds, but Uwe Von Schamann's 44-yard field goal attempt wobbled wide to the left. The Chargers started the overtime at their 31-yard line after a 25-yard kickoff return by Lionel James. Fouts moved the team upfield with 15-yard completions to Sievers and Peic Huioban before McGee ended the game with his burst off right tackle to score all but untouched.

Marino completed 28 of 41 passes for 337 yards and 2 touchdowns. He hit Mark Clayton with a 12-yard TD strike in the second quarter, sparking a 21-point barrage that gave the Dolphins a 21-14 halftime lead. The other touchdowns came on two short runs by Pete Johnson and a 4-yard pass from Marino to Woody Bennett.

Fouts kept the 6-6 Chargers in the game with first-half scoring passes of 3 yards to Sievers, who had 12 catches in the game for 119 yards, and 4 yards to Joiner.

"You've got to hand it to Fouts," said Miami Coach Don Shula. "He is one hell of a quarterback and he knows what he has to do to win." In the 1981 playoffs, Fouts passed for 433 yards in a 41-38 overtime victory over Miami.

Bills 14, Cowboys 3

In Orchard Park, New York, rookie back Greg Bell scored two touchdowns, one on an 85-yard run on the game's first play, as the Buffalo Bills registered their first victory of the season, a 14-3 upset of Dallas. The Bills ended a 13-game losing streak that began with the last two games of 1983.

Bell, who totaled a career-high 206 yards on 27 carries, broke through the middle of the line and outspurred several defensive backs to score 21 seconds into the game. It was the longest run from scrimmage ever against the Cowboys and the third-longest ever for a Buffalo runner. The first man to rush for more than 200 yards against Dallas since Jim Brown in 1963. Bell also

caught a 3-yard touchdown pass from quarterback Joe Ferguson early in the fourth quarter.

49ers 24, Buccaneers 17

In San Francisco, Fred Dean made two big plays in his first game of the season but the 49ers defense also lost a key player. Ronnie Lott, in a 24-17 victory over Tampa Bay that assured San Francisco of at

NFL ROUNDOUP

least a wild-card playoff berth. The 49ers, at 11-1, have the best record in the National Conference and a four-game lead in the NFC West with four games left.

Dean, the defensive end who joined the team last week after a prolonged contract dispute, hit Buc quarterback Steve Young early in the second period, forcing a wobbly pass that linebacker Keena Turner intercepted; the 49ers then drove 44 yards and scored on Roger Craig's 2-yard run. In the closing minutes of the game, Dean killed off Tampa Bay's final threat by sacking DeBorg on a third-down play from the 49er 38-yard line.

Lott, who recently switched from cornerback to free safety, left the

game after dislocating a shoulder in the first period. He is expected to miss at least two games.

Eagles 16, Redskins 10

In Philadelphia, Andre Waters returned a kickoff 89 yards for a touchdown and Paul McFadden kicked three field goals as the Eagles registered a 16-10 upset over Washington. Mark Moseley gave the Redskins a 10-9 lead on a field goal with 5:26 left in the third period, but Waters, a rookie free agent, taking the ball at his 11 and sprinting up the right sideline to the 20 before cutting to his left and outrunning Washington's defenders the rest of the way.

Browns 23, Falcons 7

In Atlanta, the Cleveland defense recorded an NFL record-tying 11 sacks and Paul McDonald threw two TD passes as the Browns beat the Falcons, 23-7. Cleveland nailed Steve Bartkowski 10 times for losses totaling 89 yards and backup quarterback Mike Moroski once for 6 yards. Sacks forced two Bartkowski fumbles, the second putting him out of the game with an injured right knee early in the final period. The Browns also inter-

cepted two passes that set up field goals as they sent Atlanta to its sixth loss in a row. The 23 points was Cleveland's highest output of the year.

Seahawks 26, Bengals 6

In Cincinnati, Seattle's defense set up one of Zachary Dixon's two TD runs and a Norm Johnson field goal as the Seahawks shut down the Bengals, 26-6, for a franchise-record sixth consecutive victory. The 10-2 Seahawks recovered three of five Bengal fumbles and registered two interceptions and a safety, keeping 4-8 Cincinnati out of the end zone on four deep scoring threats.

Broncos 42, Vikings 21

In Denver, John Elway tied a club record with five scoring passes as the Broncos thrashed Minnesota, 42-21. Elway connected on scoring strikes of 26 and 13 yards to Steve Watson, 19 yards to Butch Johnson, 8 yards to Sammy Winder and 12 yards to Ray Alexander.

Raiders 17, Chiefs 7

In Los Angeles, linebacker Rod Martin returned a fumble 77 yards for a score and Marc Wilson hit Donkey Williams with a 12-yard scoring pass to help the Raiders end a three-game losing streak with a 17-7 verdict over Kansas City.

Giants 16, Cardinals 10

In East Rutherford, New Jersey, Ali Haji-Sheikh kicked three third-quarter field goals and Mark Haynes picked off two passes as the New York Giants topped St. Louis, 16-10. The Giants (7-5) took the ball away six times—on four interceptions and two fumbles—giving the Cardinals 16 turnovers in their last three games, all losses.

Bears 16, Lions 14

In Chicago, Bob Thomas' third field goal of the day, a 19-yarder with two seconds left, lifted the Bears to a 16-14 victory over Detroit. The Lions dropped to 3-8-1, eliminating the defending champions from title consideration in the Central Division of the National Conference.

Oilers 31, Jets 20

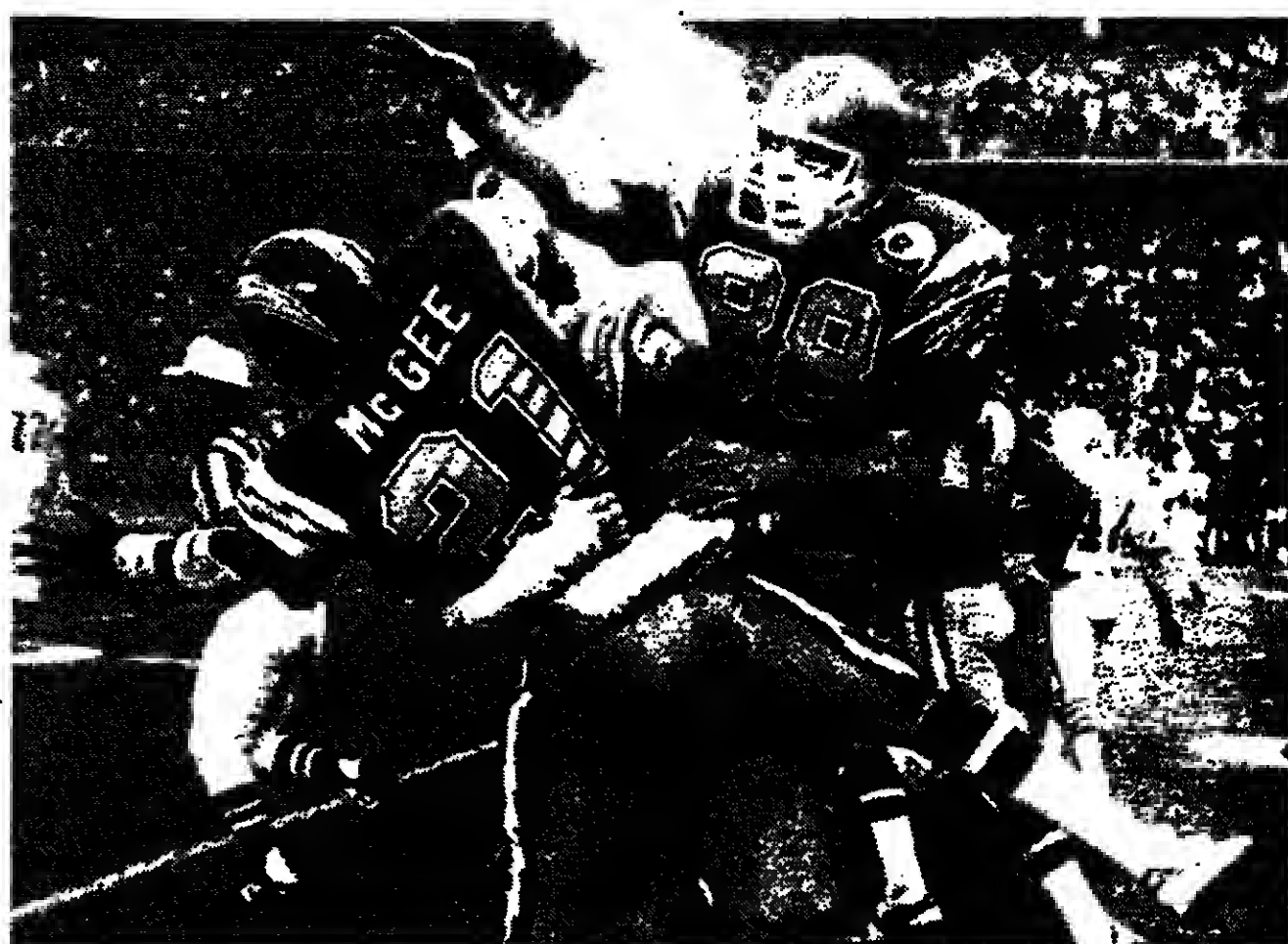
In Houston, Warren Moon passed for three touchdowns, two to Tim Smith, in leading the Oilers to a 31-20 triumph over the New York Jets. It was Houston's second straight victory after 10 losses. Moon completed 20 of 38 passes for 207 yards in handing New York its fourth defeat in a row.

Packers 31, Rams 6

In Milwaukee, Eddie Lee Ivey ran for three touchdowns and Tim Lewis returned an interception 99 yards for another to spark the Green Bay Packers to their fourth straight triumph, a 31-6 rout of the Los Angeles Rams. The Rams' Eric Dickerson rushed for 132 yards.

Patriots 50, Colts 17

In Indianapolis, Tony Eason threw four TD passes, including three to Derrick Ramsey in the first half, as New England throttled the Colts, 50-17.



Buford McGee was mobbed by San Diego teammates after his overtime TD handed Miami its first loss of the NFL season.

More NHL Players Use Their Heads About Helmets

Compiled by Our Staff From Dispatches

NEW YORK — Gord Lane claims that when he showed up wearing a helmet on Saturday night, referee Bob Myers told him to "take it off so I can tell where you are."

A defenseman who provided more muscle than finesse in the New York Islanders' four Stanley Cup championships, Lane had thought he might blend into the background with his new headgear.

Since he wears protection during the summer tending his 200 beehives in Manitoba, Lane figured, "Why not in the winter, too?"

He was talking about his new helmet after the Islanders' 10-4 victory over the New York Rangers, 10-4, on Saturday. Lane, Clark Gillies and Bob Nystrom are the three Islanders who took advantage of the grandfather clause allowing players who entered the National Hockey League before 1979 to decide whether or not they wear helmets.

"This will probably be my final season, and I didn't want to go out of hockey with an injury," said Lane, 31.

Although junior and European players have worn helmets for many years, the NHL resisted. Jack Crawford, a defenseman for Boston, wore one because he was bald, according to historians; Stan Mikita, the star of the Chicago Black Hawks, wore a helmet in the '60s, removing some of the stigma from it.

The major incentive for a rule change was the death of Bill Masterton of Minnesota after he was checked cleanly by two Oakland players in 1968 and hit his head on the ice. It took hockey another decade to make helmets mandatory, but now more than 90 percent of the players wear them, although some of the most noticeable stars still shun them — Guy Lafleur of the Canadiens, Barry Beck of the Rangers, Rod Langway of the Capitals and Mike O'Sullivan.

Terry O'Reilly, Rick Middleton and Mike Milbury, all of the Bruins.

Milbury recently said in a Sports Magazine interview that he had come to believe bareheaded players aren't subjected to the random spearing and elbowing that helmeted players receive.

Langway said "a lot of extras" happen to players who don't wear helmets. "It's weird," he said. "It seems like people notice you more. The sticks seem like they're noisier because the players seem like they know that you don't have a helmet on. I've only been hit a couple of times without a helmet on, and when I wore a helmet it seemed like I was always getting hit."

Few players wear helmets in practice, which led to two jarring accidents in Islander practices on consecutive days this month. On Nov. 7, Paul Boutilier took a slapshot on the forehead and required 66 stitches; the next day, Bob Bourne was skating near the goal when a casual shot caught him on the head, requiring 21 stitches.

After the second accident, Al Arbour, the coach, said, "We might make it mandatory," and Nystrom, the rugged old hand, went to the locker room and borrowed a helmet from Mats Larin. Lane later began wearing a helmet in practice, too.

"I've been thinking about it," Lane said. "Maybe the injuries had something to do with it."

Do the players ever wonder who will be the last bare-headed player in the league?

"It's not going to be me," Nystrom rumbled.

Lane knows he's not going to win last-man honors, either. He has felt his hockey mortality during his nearly six years on Long Island, playing at the edge of the roster. Last year he played only 38 regular-season games and four playoff games; early this season he was expecting a demotion to Springfield for a while.

He has scored only 12 goals in 334 games with the Islanders while taking 767 minutes in penalties, many of them for doing the dirty work that the Denis Potvin and Ken Morrow could not afford to do.

He said he wore a helmet when he came up with Washington in 1976, but discarded it soon afterward. Has anybody ever suggested he go back to wearing one? "A few psychiatrists," he said. "And my wife and family."

Gillies, who is having his best start in years, recalls wearing a helmet "as a joke in practice in 1982, when I pretended I was Wayne Gretzky." Gillies says he doesn't feel superior to players who wear a helmet, nor does he feel he is making a statement. He said: "A player shouldn't be belittled because he wears a helmet or because he doesn't. It's just a matter of choice."

So Lane has chosen safety in what might be his last season. But he discovered Saturday night that a helmet does not necessarily allow him to blend into the crowd. Referee Myers caught him doing something nasty and sent him off for two minutes, leading to the Rangers' third goal. But it took Myers 48 minutes to find Lane, which might be an extra blessing of his new headgear.

This season, veteran referee Andy Van Hellemond became the first NHL official to wear a helmet on the ice. "You think of the reasons to do it, and there are a few. You think of the reasons not to, and there aren't any," said Van Hellemond, who was soon joined by linesmen Wayne Bonney and Ron Assestine. "When you think about it, the only reason you don't wear a helmet is because of the look. And really, that's no reason at all."

"It's coming, anyway, one of these years, and I thought it was time to give it a try. We protect our bodies with 580 shin guards and protective girdles and elbow pads, yet we have nothing on our heads. Does that make sense?" (NYT, WP)

Despite Cold Shooting, Lakers Beat Bucks, 96-89

The Associated Press

LOS ANGELES — Stop the Los Angeles Lakers fast break and you stop the Los Angeles Lakers, right? Not always.

The Milwaukee Bucks, who last season gave up fewer points than any team in the National Basketball Association, held the Lakers to 40 field goals in 90 attempts here Sunday night, but Los Angeles won, 96-89, for its fourth straight victory.

"We're not always going to shoot under 50 percent and pull games out," said Lakers Coach Pat Riley. "We won tonight because of our defense and we controlled the offensive boards. Both teams played

NBA FOCUS

well defensively. It was a very aggressive, physical game, which Milwaukee always plays."

The Lakers now came out of first place in the Pacific Division after a 3-5 start, held the Bucks to 39 field goals in 86 attempts.

In other games, New Jersey trounced Seattle 103-97, and Portland outlasted the Los Angeles Clippers, 113-105.

The Lakers outscored Milwaukee, 17-2, in the last three minutes of the second period and the first three minutes of the third quarter to take a 56-46 lead. The closest the Bucks got after that was 86-81 with 2:50 remaining.

James Worthy hit 10 of 16 shots to lead the winners with 24 points, while Milwaukee's Terry Cummings was 14-for-20 from the field to pace all scorers with 29.

"Milwaukee played a controlled tempo game," Worthy said. "We weren't able to get our break going, but we did play good defense."

"I think both teams enjoy a challenge like this," Riley said. "Milwaukee is extremely good. Don Nelson is one of the best coaches in the league. They are committed to stopping the break."

"Milwaukee is going to make some noise."

The Lakers opened a 23-16 margin in the first quarter, but the Bucks, who still held the Central Division by one-half game over Chicago, cut the deficit to 27-26 at the end of the period. Milwaukee then built a 38-33 margin midway through the second quarter before the Lakers started their 17-2 tear.

Kareem Abdul-Jabbar and Earvin Johnson scored 20 points apiece for Los Angeles, while Paul Presley had 17 for Milwaukee.

McKinney Quits Kings

Jack McKinney resigned late Sunday as coach of the Kansas City Kings and brought back Phil Johnson to replace him. United Press International reported from Kansas City, Missouri.

Johnson earned NBA coach of

the year honors during his first stint with the Kings in 1974-75, but was fired midway through the 1977-78 season after a 13-24 start. He has since served as an assistant with the Chicago Bulls and Utah Jazz. Johnson was given a four-year contract by the Kings.

McKinney's resignation came a day after 1-8 Kansas City had lost its third straight game. McKinney was in the first year of a three-year contract after having been hired last May to replace Cotton Fitzsimmons, who resigned to coach the San Antonio Spurs.

Rangers Lose Maloney in 6-0 Shelling

The Associated Press

NEW YORK — The New Jersey Devils hadn't won a game in nine tries. The first of those disappointments was an 11-2 home-ice shelling at the hands of the New York Rangers. The Devils naturally had that in mind when they took on the Rangers here Sunday night.

"We didn't forget their embarrassing us," said right wing Rich Preston, who registered the first three-goal game of his National Hockey League career as the Devils belted the Rangers, 6-0.

Elsewhere, Quebec topped Chicago, 5-3, and the New York Islanders and Philadelphia played to a 3-3 tie.

Ranger performances have been

trick with a 30-foot shot from the slot in the final period.

"I've had more opportunities," said Preston. "There's a difference between shots and opportunities. I seemed to be in the right place at the right time."

The Rangers have had no luck since rallying from a 4-0 deficit to beat the New York Islanders Nov. 9. "It's just a slump a team goes

through," said Coach Herb Brooks. "The last few games have been a struggle. This will not go away by itself. You just have to work your way out of it."

But the loss of all-star Maloney will make it all the harder. "You just have to shake your head when you see something like that," said his older brother, Dave Maloney, a Ranger defenseman. "God, I hate this game sometimes."



Nick Foti brushed aside New Jersey's Bob Lorimer Sunday night, but the Devils had no trouble sweeping New York off the ice, 6-0 — the fourth consecutive defeat for the Rangers.

SCOREBOARD

Basketball

NBA Standings

EASTERN CONFERENCE			
Team	W	L	Pct.
Philadelphia	11	2	.846
Washington	10	3	.769
New York	9	4	.692
New Jersey	3	9	.250

CENTRAL DIVISION			
Team	W	L	Pct.
Milwaukee	8	4	.667
Chicago	7	4	.636
Detroit	4	7	.364
Atlanta	3	8	.273
Indiana	3	8	.273
Cleveland	1	10	.091

WESTERN CONFERENCE			
Team	W	L	Pct.
Houston	9	2	.818
Portland	8	3	.727
Utah	5	5	.500
San Antonio	5	5	.500
Phoenix	4	7	.364
Kansas City	1	11	.091

PACIFIC DIVISION			
Team	W	L	Pct.
Seattle	10	2	.833
San Diego	9	3	.750
Los Angeles	8	4	.667
Golden State	7	5	.583
Phoenix	6	6	.500
San Jose	5	7	.417

SOUTHWEST DIVISION			
Team	W	L	Pct.
San Antonio	10	2	.833
San Diego	9	3	.750
Los Angeles	8	4	.667
Golden State	7	5	.583
Phoenix	6	6	.500
San Jose	5	7	.417

SOUTHEASTERN DIVISION			
Team	W	L	Pct.
Atlanta	10	2	.833
San Antonio	9	3	.750
Los Angeles	8	4	.667
Golden State	7	5	.583
Phoenix	6	6	.500
San Jose	5	7	.417

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Team	W	L	Pct.
San Antonio	10	2	.833
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Los Angeles	8	4	.667
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San Jose	5	7	.417

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